

CITY OF ARCATA, CALIFORNIA
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2017



Prepared by:

Janet Luzzi
Finance Director

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City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

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736 F Street
Arcata, CA 95521

City Manager (707) 822-5953	Environmental Services 822-8184	Police 822-2428	Recreation 822-7091
Community Development 822-5955	Finance 822-5951	Public Works 822-5957	Transportation 822-3775

January 3, 2018

To the Honorable Mayor and Members of the City Council and Citizens of the City of Arcata:

We are pleased to submit the City of Arcata' Annual Financial Report for the fiscal year ended June 30, 2017. It is the policy of the Council that a licensed certified public accountant conducts an annual audit at the end of each fiscal year and issue a complete set of financial statements to be submitted to them. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards.

Responsibility for the accuracy of the data and the fairness of presentation, including all footnotes and disclosures, rests with the City. We believe the data presented in this report is accurate in all material respects and all statements and disclosures necessary for the reader to obtain a thorough understanding of the City's financial activities have been included.

Management of the City has established an internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

While traditionally addressed to the governing body of the City, this report is intended to provide relevant financial information to the citizens of the City of Arcata, City staff, creditors, investors, and other concerned readers. We encourage all readers to contact the Finance Department with any questions or comments concerning this report.

The City's financial statements have been audited by JJACPA, Inc., a firm of certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2017, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Based upon the audit, the independent auditors concluded that there was reasonable basis for rendering an unqualified opinion, which states that the City's financial statements for the fiscal year ended June 30, 2017, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair

presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Reports.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile of the City of Arcata

The City of Arcata is located 275 miles north of San Francisco. It is situated in an 11 square mile area in the northern coast region of California at the western mid-point of Humboldt County. The City is framed by the Pacific Ocean on the west, forested hills on the east, the Mad River on the North, and Humboldt Bay to the south. The City of Arcata was incorporated as the Town of Union in 1858. It was renamed "Arcata" in 1860. Arcata reincorporated as a general law city on May 4, 1903, under the Municipal Corporation Act of the State of California. The original township (including surrounding area) had a population of 553 persons. By 2016, the City has grown to an estimated population of approximately 18,000. It is 85.5% developed and is graced with a strong business base and a well-established residential community.

The City of Arcata operates under a Council-Manager form of government and provides municipal services that include public safety, public works, community development and parks and recreation. In addition, the City provides water, wastewater, transit, solid waste and stormwater services in the form of enterprise activities. This report includes all funds of the City of Arcata and its blended component unit, the Successor Agency of the Arcata Community Development Agency, for which the City is financially accountable.

The City Council establishes annual budgets for the General Fund, Proprietary Funds, and all Special Revenue Funds, except for certain Special Revenue Funds for which expenditures are controlled by grant funding or by assessments received. Budgetary control is legally maintained at the fund level for these funds. Department heads submit budget requests to the City Manager. The City Manager prepares an estimate of revenues and prepares recommendations for the next year's budget. The preliminary budget may or may not be amended by the City Council and is adopted by resolution by the City Council on or before June 30 in accordance with the municipal code.

The Arcata City Council consists of five members, elected at-large to four-year overlapping terms. Council members must be residents of the City. The positions of Mayor and Vice Mayor are chosen by the City Council through policy direction determined by the City Council. The Mayor conducts the Council meetings and represents the City on ceremonial occasions.

The City Council serves as the policy board for the municipality. As an elected Board of Directors, the City Council provides policy direction, establishes goals, and sets priorities for the City government. In addition to serving as the policy makers for the community, the City Council also is responsible for numerous land use decisions within its borders, including the General Plan. The City Council appoints the City Manager, City Attorney, and all members of advisory boards, commissions, and committees.

Arcata is retail oriented and is fortunate to have a large area which serves as a hub for students at Humboldt State University.

The Arcata business climate has experienced benchmarked transformation initiated by local businesses as well as City-business partnerships. Improvements and programs include infrastructure renovations, façade improvements, a street banner program, and the adoption of a redevelopment plan area.

In Arcata, the total labor force is approximately 11,000. Unemployment in Arcata is approximately 5.2%. Within ten miles, there is a diverse labor force specializing in such occupations as sales, executive and managerial services, technical support, professional specialties, and other services.

The City of Arcata is committed to providing high quality services in an economical manner. For fiscal year 2016/17, the City's efforts were focused in the following areas.

Economic Development – Promoting economic development (recruitment and retention of businesses) continues to be one of the City's key operational priorities. During the fiscal year, the City accomplished the following projects relating to economic development:

- In anticipation of the legalization of marijuana, the City worked hard to transition the Medical Marijuana Innovation Zone into the Cannabis Innovation Zone in the industrial part of the City for niche manufacturing businesses that will produce marijuana related products.

Current Economic Conditions and Outlook

The City's economic development efforts and implementation of the City's financial policies help to promote Arcata's long-term fiscal stability. Since incorporation, at the direction of Council, staff has conducted a systematic review of operations, resulting in some cases in the transition from contract service to an in-house operational model; in other instances a renegotiation of existing service contracts; and in other instances, retention of the contract operational model with a different service provider. These operational analyses and reforms are intended to promote long-term savings to the City and ensure long-term stability. As part of this operation review, the City has established appropriation limits in key operational areas such as law enforcement, which has promoted increased operational efficiency.

The City's principle general fund revenue sources are sales tax, transactions and use tax, and vehicle license fees. For FY 2016/17, all these remained stable.

Sales tax is projected to remain steady for FY 2016/17. The City is 85.5% built out and no new significant sales tax generating businesses are anticipated in the near future. Motor Vehicle License Fees are projected to remain steady, also.

The City of Arcata anticipates a modest upsurge of revenue growth for the next ten years, particularly related to the legalization of marijuana. This is anticipated to enable the City to continue to maintain its reserve policy which promotes maintaining a fund balances or working capital balances of at least 20% of operating expenditures. However, in order to assure that the City Council has some discretion, these reserves may be reduced in order to fund unforeseeable financial conditions such as transition funding in a recessionary economy, one-time expenditures or other budget shortfall stop gap measures of a temporary nature.

Financial Information

During the past fiscal year, there were no changes to the City's financial policies or items in which policies impacted the financial information or presentation. Information concerning significant accounting policies affecting the finances of the City is summarized in the Notes to the Financial Statements.

Acknowledgements

The preparation of this Annual Financial Report could not be accomplished without the efficient and dedicated service of the entire staff of the Finance Department and the auditing firm of JJACPA, Inc. I would like to express my appreciation to Joseph Arch, CPA, Brett Jones, CPA, Jun Lee and Fortune Andzouana of JJACPA, Inc. and to the members of the Finance Department who assisted and contributed to its preparation.

I would also like to thank members of the City Council, the City Manager, and the various departments for their cooperation and support in planning and conducting the financial operations of the City during the fiscal year.

Respectfully Submitted,



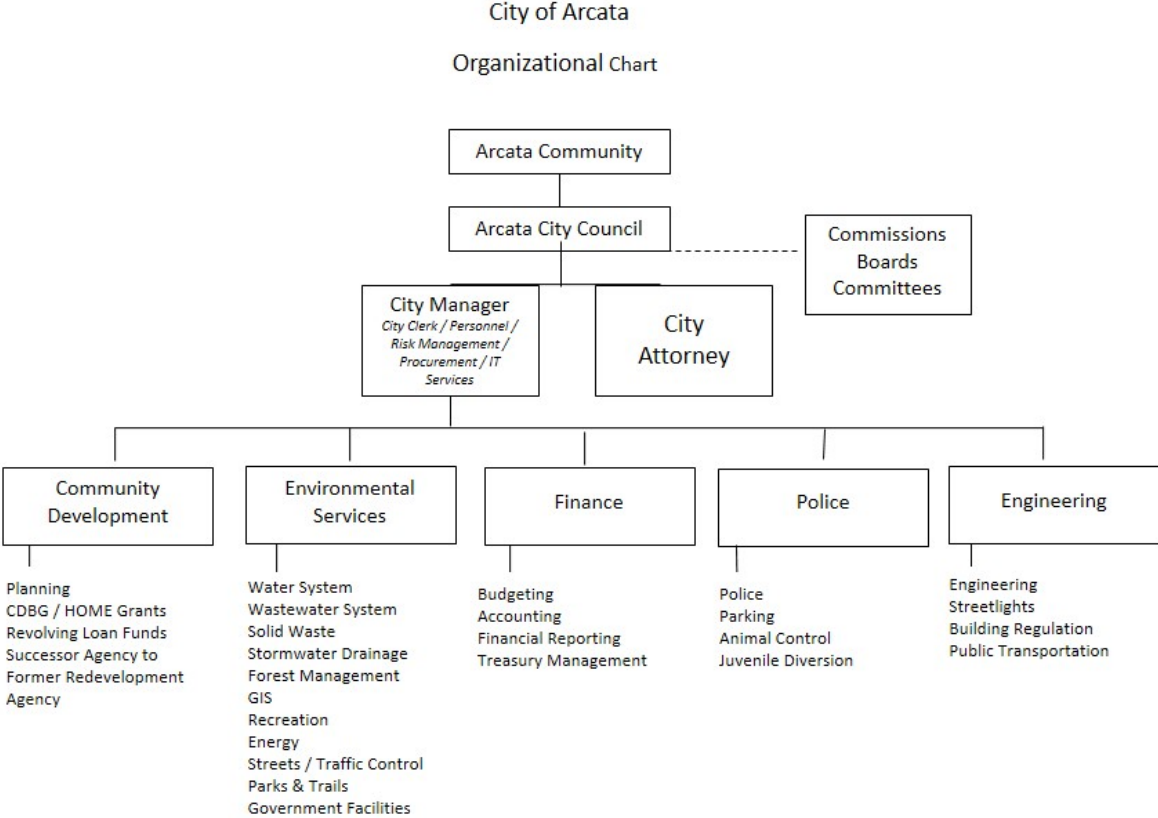
Janet M. Luzzi
Finance Director

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City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

Organization Chart



City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

List of Officials

CITY COUNCIL

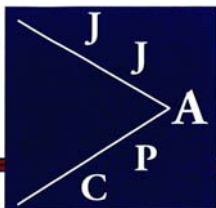
- Susan Ornelas, Mayor
- Sofia Pereira, Vice Mayor
- Paul Pitino, Council Member
- Brett Watson, Council Member
- Michael Winkler, Council Member

CITY OFFICIALS

- Karen Diemer, City Manager
- Janet Luzzi, Finance Director
- David Loya , Community Development Director
- Tom Chapman, Chief of Police
- Mark Andre, Environmental Services Director
- Doby Class, City Engineer
- Nancy Diamond, City Attorney

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JJACPA, Inc.

A Professional Accounting Services Corp.

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Arcata
Arcata, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison information of the City of Arcata, California (City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison information of the City, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis* on pages 3–16, the Schedule of Funding Progress on page 96, the Schedules of Contribution on pages 97-98, and the Schedules of the City's Proportionate Share of the Net Pension Liability on page 95-96, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and the introductory section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

January 3, 2018

JJACPA, Inc.
JJACPA, Inc.
Dublin, CA

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis, Continued

This section provides a narrative overview and analysis of the financial activities of the City of Arcata (City) for the fiscal year ended June 30, 2017. It should be read in conjunction with the accompanying transmittal letter and basic financial statements.

FINANCIAL HIGHLIGHTS

This section of the annual financial report provides a narrative overview and analysis of the financial activities of the City of Arcata (City) for the fiscal year ended June 30, 2017. It should be read in conjunction with the accompanying transmittal letter and basic financial statements.

The following outlines the financial highlights for the year:

- ◆ At June 30, 2017, the City's net position (excess of assets and deferred outflows of resources of the City over liabilities and deferred inflows of resources) was \$79.8 million, an increase of \$7.9 million from the prior year. Of the total net position, \$46.9 million was invested in capital assets (net of related debt) and \$1.5 had restrictions in their use leaving \$31.3 as unrestricted.
- ◆ Overall City-wide revenues from all governmental and business-type activities decreased by about \$2.4 million compared to the 2016 fiscal year. Most of the decrease resulted from decreased revenues for operating and capital grants for economic development and street improvements. The City's total expense for all programs in fiscal 2017 decreased by \$9.1 million. This resulted primarily from one-time expenditures that occurred in fiscal 2016, specifically the issuance of several economic development loans and the final payment on the amounts remaining on the Housing Successor's Due Diligence Report liability.
- ◆ The City's governmental funds increased by approximately \$3.8 million. This primarily results from the fact that principal collections on many of the City's revolving loans exceeded budgetary estimates and several capital projects which were appropriated for fiscal 2017 remained unspent.
- ◆ The City's proprietary enterprise funds increased net position by \$4.0 million. This resulted from planned and implemented rate increases which were approved to fund major capital projects in the Water and Wastewater Funds.
- ◆ The general fund reported a fund balance of \$7.4 million at the end of the 2017 fiscal year, an increase of about \$1.3 million. This increase resulted due to the fact that several street projects budgeted as capital improvements using general funds were not completed in fiscal year 2017, increasing fund balance by \$1.9 million.
- ◆ The City also ended the fiscal year with \$7.6 million reported in the proprietary enterprise funds (the amount of net position available for use, including unrestricted net position, but excluding the investment in capital assets net of related debt). This is an increase of approximately \$4.3 million from 2016 and primarily results from the accumulation of cash and investments for major capital improvement projects to the water and wastewater systems that are anticipated in the near future.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis, Continued

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

This Annual Financial Report is in two major parts:

- 1) **Introductory section**, which includes the Transmittal Letter and general information; and,
- 2) **Financial section**, which includes the Management's Discussion and Analysis (this part), the Basic Financial Statements, which include the Government-wide and the Fund Financial Statements along with the notes to these financial statements, and Combining and Individual Fund Financial Statements and Schedules.

The Basic Financial Statements

The Basic Financial Statements are comprised of the Government-wide Financial Statements and the Fund Financial Statements; these two sets of financial statements provide two different views of the City's financial activities and financial position.

Government-wide Financial Statements

The Government-wide Financial Statements provide a broad overview of the City's activities as a whole and are comprised of the Statement of Net position and the Statement of Activities. The Statement of Net position provides information about the financial position of the City as a whole, including all its capital assets and long-term liabilities on the full accrual basis, similar to that used by private sector entities. The Statement of Activities provides information about all the City's revenues and all its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses of each the City's programs. The Statement of Activities explains in detail the change in Net position for the year.

All of the City's activities are grouped into Governmental Activities and Business-type activities, as explained below. All the amounts in the Statement of Net position and the Statement of Activities are separated into Governmental Activities and Business-type Activities in order to provide a summary of these two activities of the City as a whole.

Government-wide financial statements, prepared on the accrual basis, measure the flow of all economic resources of the City. There are two basic statements presented here: the Statement of Net Position and Statement of Activities. These statements present information about the following activities.

- ◆ **Governmental activities** – All of the City's basic services are considered to be governmental activities, including general government, community development, parks and recreation, public safety, animal control, engineering, community events, public improvements, planning and zoning, building inspections, and general administration. These services are supported by general City revenues such as taxes and by specific program revenues such as developer fees.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis, Continued

OVERVIEW OF THE ANNUAL FINANCIAL REPORT, Continued

- ◆ **Business-type activities** – All the City's enterprise activities are reported here, including Water, Wastewater, Transit, Solid Waste, and Stormwater. Unlike governmental services, these services are supported by charges paid by users based on the amount of the service they use.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the Government-wide Financial Statements. However, unlike the Government-wide Financial Statements, Governmental Fund Financial Statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the Governmental Fund Financial Statements is narrower than that of the Government-wide Financial Statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the Government-wide Financial Statement. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The Governmental Fund Financial Statements provide detailed information about each of the City's most significant funds, called major funds. The concept of major funds, and the determination of which are major funds, was established by GASB Statement No. 34 and replaces the concept of combining like funds and presenting them as one total. Instead, each major fund is presented individually, with all nonmajor funds summarized and presented only in a single column. Subordinate schedules present the detail of these nonmajor funds. Major funds present the major activities of the City for the year, and may change from year to year as a result of changes in the pattern of the City's activities.

For the fiscal year ended June 30, 2017, the City's major funds are as follows:

GOVERNMENTAL FUNDS:

- ◆ General Fund
- ◆ CDBG Housing Special Revenue Fund
- ◆ Housing Revolving Loan Special Revenue Fund
- ◆ Basic Business Loan Revolving Special Revenue Fund
- ◆ STIP
- ◆ Housing Successor

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis, Continued

OVERVIEW OF THE ANNUAL FINANCIAL REPORT, Continued

Fund Financial Statements, Continued

PROPRIETARY FUNDS:

- ◆ Water Enterprise Fund
- ◆ Wastewater Enterprise Fund
- ◆ Transit Enterprise Fund
- ◆ Solid Waste Enterprise Fund
- ◆ Stormwater Utility Enterprise Fund

For the fiscal year ended June 30, 2017, the City adopted annual appropriated budgets for all governmental funds.

Proprietary funds. The City maintains Enterprise-type and Internal Service proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the Government-wide Financial Statements. The City uses enterprise funds to account for Water, Wastewater, Transit, Solid Waste, and Stormwater activities. Internal service funds are an accounting methodology used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet of vehicles and its information technology assets. Proprietary funds provide the same type of information as the Government-wide Financial Statements, only in more detail. The proprietary fund financial statements provide separate information for all of these operations.

Fiduciary Statements

The City's fiduciary activities are reported in the separate Statement of Fiduciary Net Position. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its own operations. The fiduciary statements provide financial information about the activities of special deposits, such as successor agency activities for the former redevelopment agency, for which the City acts solely as an agent. They provide information about the cash balances and activities of these funds.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-wide and Fund Financial Statements. The notes to the basic financial statements can be found on pages 51–94 of this report. Required Supplementary Information follows the notes on pages 96-100.

Combining and Individual Fund Financial Statements and Schedules

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements can be found on pages 104–142 of this report.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$79,760,558 as of June 30, 2017. The Summary of Net position as of June 30, 2017, and 2016, follows:

	Summary of Net Position					
	2017			2016		
	Govern- mental Activities	Business- type Activities	Total	Govern- mental Activities	Business- type Activities	Total
Current and other assets	\$ 44,162,387	\$ 12,571,621	\$ 56,734,008	\$ 41,021,584	\$ 9,041,737	\$ 50,063,321
Noncurrent assets	32,868,580	20,191,757	53,060,337	32,018,223	20,660,136	52,678,359
Deferred outflows of resources	3,848,611	1,255,432	5,104,043	4,268,057	1,375,754	5,643,811
Total assets and deferred outflows of resources	<u>80,879,578</u>	<u>34,018,810</u>	<u>114,898,388</u>	<u>77,307,864</u>	<u>31,077,627</u>	<u>108,385,491</u>
Current and other liabilities	5,159,988	1,036,350	6,196,338	3,354,608	1,445,964	4,800,572
Long-term liabilities	18,948,675	6,941,231	25,889,906	18,818,905	7,052,412	25,871,317
Deferred inflows of resources	2,260,552	791,034	3,051,586	4,404,399	1,406,015	5,810,414
Total liabilities and deferred inflows of resources	<u>26,369,215</u>	<u>8,768,615</u>	<u>35,137,830</u>	<u>26,577,912</u>	<u>9,904,391</u>	<u>36,482,303</u>
Net position:						
Net invested in						
Capital Assets	29,241,280	17,634,469	46,875,749	27,841,973	17,871,543	45,713,516
Restricted	1,541,432	-	1,541,432	1,651,639	-	1,651,639
Unrestricted	23,727,651	7,615,726	31,343,377	21,236,340	3,301,693	24,538,033
Total net position	<u>\$ 54,510,363</u>	<u>\$ 25,250,195</u>	<u>\$ 79,760,558</u>	<u>\$ 50,729,952</u>	<u>\$ 21,173,236</u>	<u>\$ 71,903,188</u>

The City's total net position increased by \$7.9 million (\$3.8 million and \$4.1 million for governmental activities and business-type activities, respectively). Total city-wide assets increased \$6.5 million, \$3.6 million in governmental activities and \$2.9 million in business-type activities. The increase in governmental activities assets results from the fact that several street projects budgeted as capital improvements using general funds were not completed in fiscal year 2017. For the business-type activities, this increase in assets results from the accumulation of cash and investments for major capital improvement projects to the water and wastewater systems that are anticipated in the near future. Total city-wide liabilities, decreased by \$1.6 million. Of this amount, the liabilities in governmental activities decreased slightly by \$480,000 and the liabilities in business-type activities decreased by \$1.1 million. Both decreases can be attributed to a decrease in pension plan deferred inflows of resources.

The largest portion of the City's net assets, approximately 66.2 percent, is represented by the City's net investment in its capital assets such as buildings, land, equipment, utility systems, and facilities. The City uses these capital assets to provide services to citizens, consequently, these assets are not available for future spending.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

A portion of the City's net position (1.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors. Of this amount, \$23.7 million is held by governmental activities and \$7.6 million is held by business-type activities.

Revenues

The City's total revenues for governmental and business-type activities were \$32.3 million for the fiscal year ended June 30, 2017, a decrease of \$2.4 million. Significant revenues for the City for fiscal year 2016/17 were derived from taxes (29.0%), operating grants and contributions (14.8%), capital grants and contributions (4.0%), and charges for services (45.7%).

The following discusses variances in key revenues from the prior fiscal year:

1. **Charges for Services.** Annual receipts for business-type activities increased \$1.3 million, or 9.3%. This is reflective of the increase in water and wastewater utility charges of 11%.
2. **Grants and Contributions – Operating.** Annual receipts decreased by \$2.6 million, or 35.4%. The decrease in operating grants and contributions results from the one-time receipt of grant funds for economic development business loans in the prior fiscal year.
3. **Grants and Contributions – Capital.** Annual receipts decreased \$1.2 million. The decrease results primarily from a donation of timber property valued at \$880,000 in the prior fiscal year.

Expenses

Governmental and business-type activity expenses of the City for the year totaled \$24.2 million. This is a decrease of \$9.1 million from the prior fiscal year. This decrease results from one-time activities that occurred in fiscal 2016, including grant funding for the issuance of several economic development business loans, completion of street improvement projects, and making the final payment on amounts remaining on the Housing Successor's Due Diligence Report liability.

Governmental activity expenses totaled \$15.1 million, or 62.4% of total expenses. Business-type activities incurred \$9.1 million of expenses during the fiscal year. Public safety costs represented 38.4% of total governmental activities expenses, followed by general government (18.0%) and community development (17.3%).

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

The change in net position for the fiscal years ended June 30, 2017, and 2016 follows:

	Changes in Net Position			2016		
	2017	2017	2017	2016	2016	2016
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues:						
Program revenues:						
Charges for services	\$ 1,976,132	\$ 12,786,810	\$ 14,762,942	\$ 1,933,040	\$ 11,571,141	\$ 13,504,181
Grants and contributions:						
Operating	4,541,986	248,590	4,790,576	7,418,396	-	7,418,396
Capital	1,305,141	-	1,305,141	2,512,338	-	2,512,338
General revenues:						
Property taxes and assessments	1,461,626	-	1,461,626	1,701,931	-	1,701,931
Transient occupancy taxes	1,466,680	-	1,466,680	1,365,897	-	1,365,897
Sales and use tax	4,960,163	-	4,960,163	4,757,515	-	4,757,515
Franchise taxes	247,982	-	247,982	238,397	-	238,397
Utility users tax	1,215,068	-	1,215,068	1,215,097	-	1,215,097
Other taxes	31,080	-	31,080	30,796	-	30,796
Motor vehicle in lieu	1,552,135	-	1,552,135	1,518,106	-	1,518,106
Use of money and property	257,913	3,027	260,940	303,172	79,536	382,708
Other general	275,234	-	275,234	43,329	-	43,329
Total revenues	19,291,140	13,038,427	32,329,567	23,038,014	11,650,677	34,688,691
Expenses:						
Governmental activities:						
General government	2,887,328	-	2,887,328	3,497,246	-	3,497,246
Public safety	5,584,670	-	5,584,670	6,000,877	-	6,000,877
Public works	2,299,536	-	2,299,536	2,446,496	-	2,446,496
Community development	3,052,932	-	3,052,932	9,386,294	-	9,386,294
Parks and recreation	1,517,360	-	1,517,360	1,746,073	-	1,746,073
Interest and fiscal charges	38,731	-	38,731	40,510	-	40,510
Business-type activities:						
Water	-	3,464,029	3,464,029	-	3,462,360	3,462,360
Wastewater	-	3,382,650	3,382,650	-	3,541,635	3,541,635
Transit	-	1,255,152	1,255,152	-	1,379,880	1,379,880
Solid Waste	-	358,735	358,735	-	383,051	383,051
Stormwater	-	631,074	631,074	-	1,443,217	1,443,217
Total expenses	15,380,557	9,091,640	24,472,197	23,117,496	10,210,143	33,327,639
Excess (Deficiency) of revenues over expenditures before transfers	3,910,583	3,946,787	7,857,370	(79,482)	1,440,534	1,361,052
Transfer from fiduciary activities	-	-	-	6,812,037	-	6,812,037
Transfers	(130,172)	130,172	-	(64,418)	64,418	-
Change in net position	3,780,411	4,076,959	7,857,370	6,668,137	1,504,952	8,173,089
Net position:						
Beginning of year	50,729,952	21,173,236	71,903,188	44,061,815	19,668,284	63,730,099
End of year	\$ 54,510,363	\$ 25,250,195	\$ 79,760,558	\$ 50,729,952	\$ 21,173,236	\$ 71,903,188

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Governmental Activities

The following table shows the cost of each of the City's major programs and the net cost of the programs. Net cost is the total cost less fees and other direct revenue generated by the activities. The net cost reflects the financial burden that was placed on the City's taxpayers by each of the programs. The total cost of services and the net cost of services for the fiscal years ended June 30, 2017, and 2016, are as follows:

	2017		2016	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General government	\$ 2,887,328	\$ 1,182,116	\$ 3,497,246	\$ 614,040
Public safety	5,584,670	4,743,515	6,000,877	5,317,649
Public works	2,299,536	(682,258)	2,446,496	(782,653)
Community development	3,052,932	1,200,171	9,386,294	4,810,355
Parks and recreation	1,517,360	1,075,023	1,746,073	1,253,821
Interest and fiscal charges	38,731	38,731	40,510	40,510
Total	<u>\$ 15,380,557</u>	<u>\$ 7,557,298</u>	<u>\$ 23,117,496</u>	<u>\$ 11,253,722</u>

Expenses for governmental activities were \$15.1 million, which was \$8.0 million or 34.6% lower than the prior year. This decrease results from one-time activities that occurred in fiscal 2016, including grant funding for the issuance of several economic development business loans, completion of street improvement projects, and making the final payment on amounts remaining on the Housing Successor's Due Diligence Report liability.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

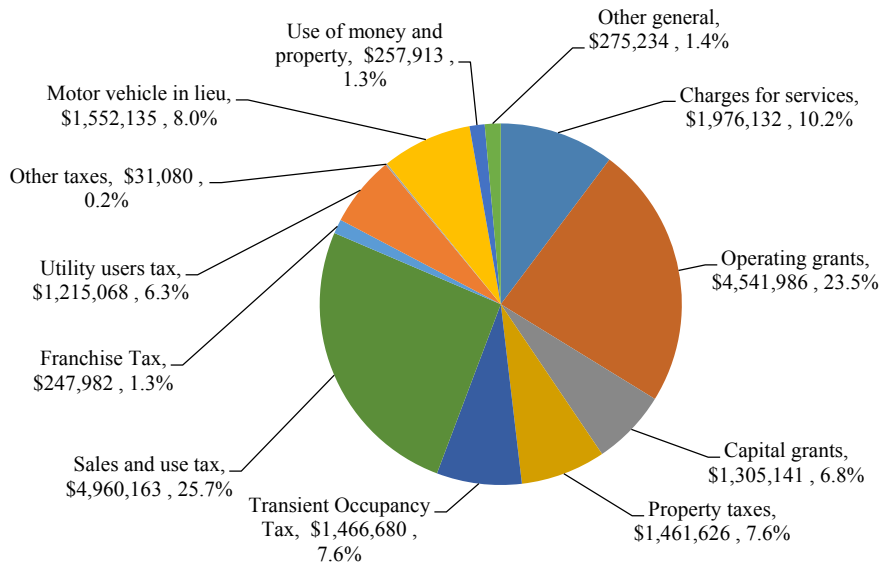
Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

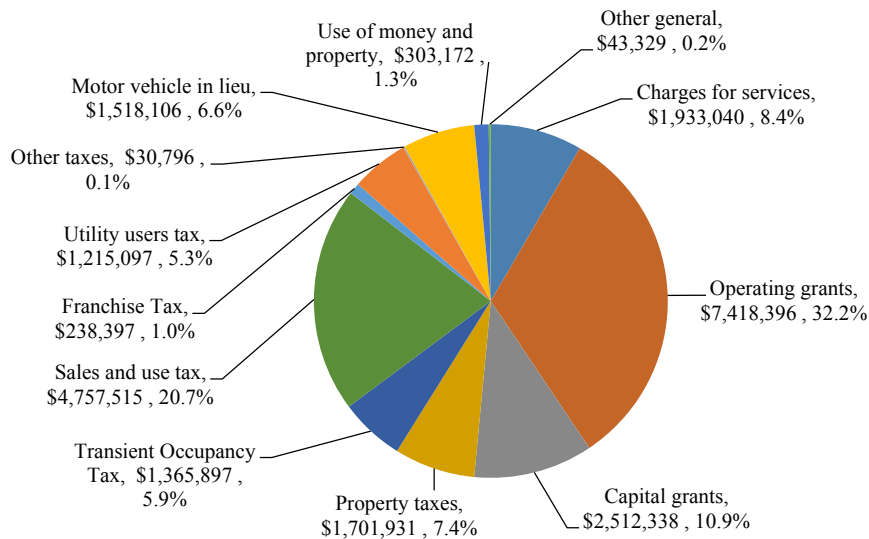
Governmental Activities, continued

Revenues by source for the fiscal years ended June 30, 2017, and 2016, are as follows:

Revenues by Source - Governmental Activities 2017



Revenues by Source - Governmental Activities 2016



City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

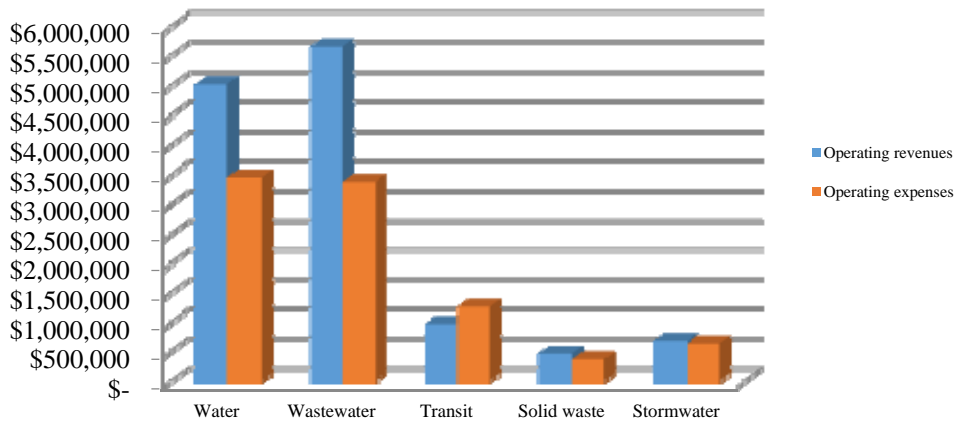
Management’s Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

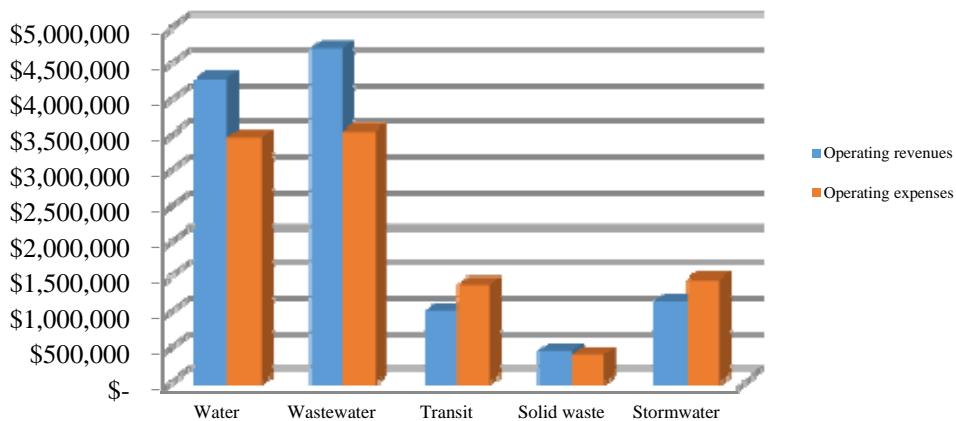
Business-type Activities

Business-type activities have increased the City’s net position by \$1.5 million. The City has five business-type activities: Water, Wastewater, Transit, Solid Waste, and Stormwater Operations. The operating revenues and expenses for the business-type activities for the fiscal years ended June 30, 2017, and 2016, are as follows:

**Operating Revenues and Expenses
 Business-type Activities
 2017**



**Operating Revenues and Expenses
 Business-type Activities
 2016**



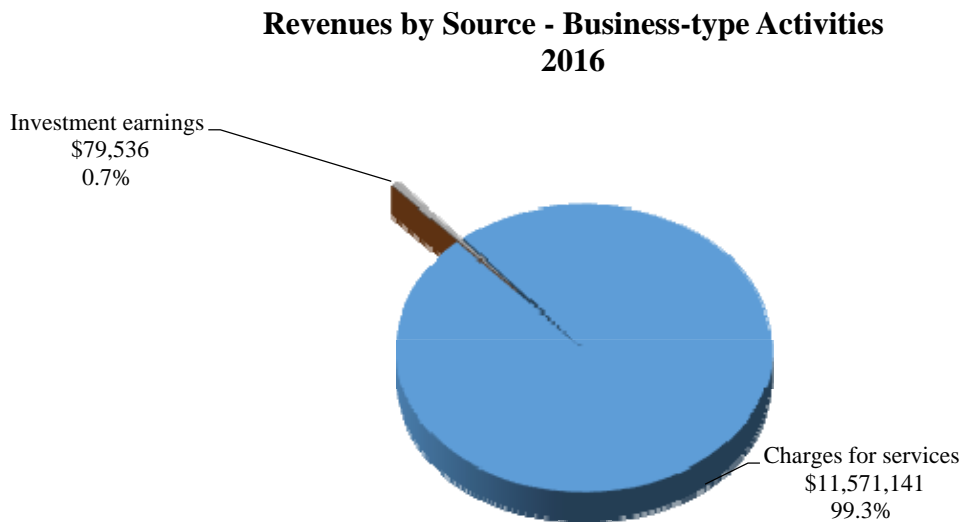
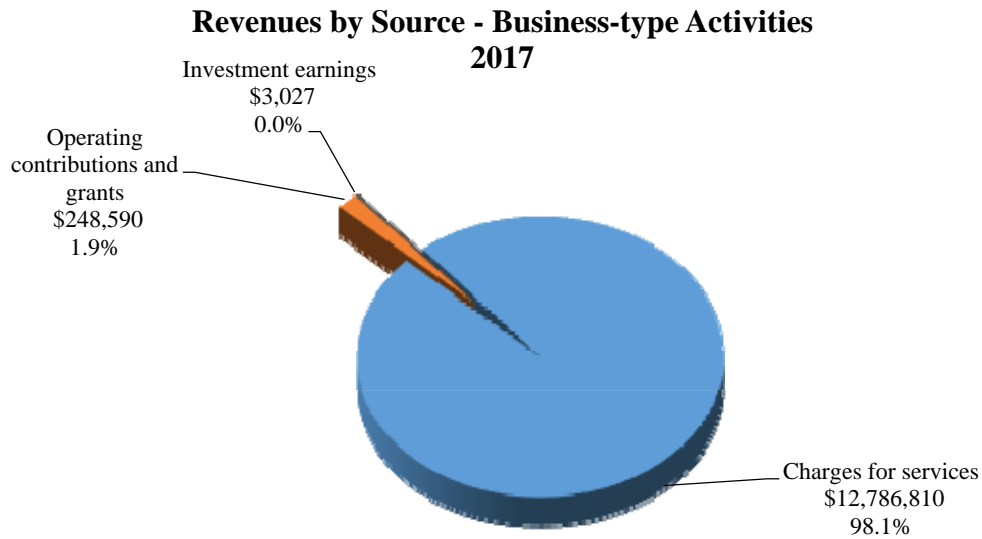
City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Business-type Activities, continued

The revenues by source for the business-type activities for the fiscal years ended June 30, 2017, and 2016, are as follows:



City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Financial Analysis of the Government's Funds

The City of Arcata uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide financial statements.

Governmental funds. The City's governmental funds provide information on near-term inflows, outflows, and balances of spending resources. At the fiscal year ended June 30, 2017, the City's governmental funds reported combined fund balances of \$14,310,227. This is an increase of \$1,329,921 or 10.2% from last year. This increase resulted due to the fact that several major projects which were budgeted for fiscal year 2017 were not completed.

The General Fund is the chief operating fund of the City. At the fiscal year ended June 30, 2017, General Fund unassigned fund balance totaled \$7,363,248. This is an increase of \$1,271,239 from the prior year. This increase resulted because several street projects budgeted as capital improvements using general funds were not completed in fiscal year 2017, increasing fund balance by \$1.9 million.

Proprietary funds. The City ended the fiscal year with \$7.6 million reported in the proprietary enterprise funds (the amount of net position available for use, including unrestricted net position, but excluding the investment in capital assets net of related debt). This is an increase of approximately \$4.1 million from 2016 and results primarily from the accumulation of cash and investments for major water and wastewater capital improvement projects that are anticipated in the near future.

General Fund Budgetary Highlights

The difference between the final budget and actual revenues differs favorably by \$468,485, or 3.1% of budget. This was mainly due to lower than anticipated intergovernmental grant revenue. The difference between the final budget and actual expenditures differs favorably by \$3,160,882. This results primarily from capital outlay expenditures for street improvements which were budgeted but not completed during the year. These will be carried over to the subsequent fiscal year.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis, Continued

GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

There was a \$2,211,298 difference between the total original expenditure budget and the total final amended budget. This was due primarily to the receipt of Humboldt County's Measure Z grant used to fund the City's juvenile diversion program and the carryover of capital outlay appropriations for various capital projects from fiscal year 2015/16 in the amount of \$1,368,344. Actual expenditures were \$3,160,882 under budget (20.3% of budget). This resulted primarily from unspent capital outlay appropriations for street projects.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2017, amount to \$52,989,099. This investment in capital assets includes land, construction in progress costs for road and median improvements, buildings and improvements, infrastructure, furniture and equipment, and vehicles.

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2015
Land	\$ 16,278,729	\$ 16,213,181	\$ 7,569,579	\$ 7,396,179	\$ 23,848,308	\$ 23,609,360
Undergrounding facilities	90,025	90,025	3,847,803	4,020,795	3,937,828	4,110,820
Buildings and structures	5,204,221	5,474,410	2,493,569	2,699,495	7,697,790	8,173,905
Furniture and equipment	746,125	693,831	154,753	200,794	900,878	894,625
Other Improvements	5,023,528	3,295,873	4,713,897	4,744,550	9,737,425	8,040,423
Infrastructure	4,789,902	5,443,880	-	-	4,789,902	5,443,880
Vehicles	736,050	807,023	1,340,918	1,520,430	2,076,968	2,327,453
Total	\$ 32,868,580	\$ 32,018,223	\$ 20,120,519	\$ 20,582,243	\$ 52,989,099	\$ 52,600,466

More detail of the capital assets and current activity can be found in the notes to the financial statements on page 57 for significant accounting policies and Note 5 on pages 69 – 70 for other capital asset information.

Long-Term Debt

At June 30, 2017, the City had total debt obligations of \$8,759,138. Additional information about the City's long-term debt can be found in Note 7 to the basic financial statements.

	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Capital Lease Obligations	\$ 29,928	\$ 43,933	\$ -	\$ -	\$ 29,928	\$ 43,933
2015 Refunding of 2008 Lease	916,300	950,250	1,701,700	1,764,750	2,618,000	2,715,000
CalPERS UAL Debt	2,711,000	3,226,000	-	-	2,711,000	3,226,000
2015 Refunding of 2008 Loan	-	-	1,009,000	1,164,000	1,009,000	1,164,000
Compensated absences	460,305	441,836	155,552	156,382	615,857	598,218
Net OPEB obligation	1,775,353	1,504,178	-	-	1,775,353	1,504,178
Total	\$ 5,892,886	\$ 6,166,197	\$ 2,866,252	\$ 3,085,132	\$ 8,759,138	\$ 9,251,329

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

Management's Discussion and Analysis, Continued

Economic Outlook and Next Year's Budget and Rates

The budget for Fiscal Year 2017/18, adopted on June 21, 2017, is balanced and the economic outlook for the short- and long-term is considered stable. This is a result of a continuing and reliable tax revenue stream and the City's efforts over the past several years to contain and control expenditures.

Tax revenues, particularly property and sales taxes, continue to be steady through economic cycles which provides stability to the City's financial position. These revenues have increased modestly since the Great Recession. Maintaining and growing the City's revenue base is a high priority for City staff.

Just as important as the maintaining and growing the City's revenue base, moderating expenditure growth is also imperative and will continue be challenging to the City. Personnel cost is the largest expense category and addressing personnel expenditure growth will remain a priority. The City, working together with bargaining units, has taken action to control the growth of pension and health insurance costs. However, these costs continue to rise sharply. In addition, CalPERS has approved a plan to lower its assumed rate of return from 7.5% to 6.5% over several years which will result in increased employer contribution rates.

In summary, the City enters Fiscal Year 2017/18 in a solid position financially based on past efforts made to restructure itself to operate more efficiently and better contain costs. It has also benefitted from an ongoing economic recovery that is increasing revenues modestly. While vulnerabilities exist, some within the City's control and some not, the City believes it has taken, and will continue to take, the actions necessary to maintain a solid financial foundation.

Requests for Information

This Annual Financial Report is intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. If you have any questions about this report, need additional financial information, or would like to obtain component unit financial statements, contact the City of Arcata Finance Department, 736 F Street, Arcata, CA 95521, or visit the City's web page at www.cityofarcata.org.

BASIC FINANCIAL STATEMENTS

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City of Arcata, California
Statement of Net Position
June 30, 2017

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 13,822,273	\$ 11,145,391	\$ 24,967,664
Restricted cash and investments	2,656,087	-	2,656,087
Receivables:			
Accounts	3,711,236	1,325,635	5,036,871
Loans/Notes receivable	23,848,265	-	23,848,265
Inventory	124,526	100,595	225,121
Total current assets	<u>44,162,387</u>	<u>12,571,621</u>	<u>56,734,008</u>
Noncurrent assets:			
Prepaid issuance costs	-	71,238	71,238
Capital assets:			
Nondepreciable	16,368,754	7,390,409	23,759,163
Depreciable	16,499,826	12,730,110	29,229,936
Total noncurrent assets	<u>32,868,580</u>	<u>20,191,757</u>	<u>53,060,337</u>
Total assets	<u>77,030,967</u>	<u>32,763,378</u>	<u>109,794,345</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension Plan	3,848,611	1,255,432	5,104,043
Total assets and deferred outflows of resources	<u>\$ 80,879,578</u>	<u>\$ 34,018,810</u>	<u>\$ 114,898,388</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 2,544,676	\$ 456,311	\$ 3,000,987
Interest payable	-	1,993	1,993
Deposits payable	23,825	314,508	338,333
Compensated absences - current portion	115,076	38,888	153,964
Other liabilities	1,729,914	-	1,729,914
Payable to Fiduciary Activities	179,512	-	179,512
Due within one year	566,985	224,650	791,635
Total current liabilities	<u>5,159,988</u>	<u>1,036,350</u>	<u>6,196,338</u>
Noncurrent liabilities:			
Long-term liabilities:			
Compensated absences	345,229	116,664	461,893
Due after one year	3,090,243	2,486,050	5,576,293
Net OPEB obligation	1,775,353	-	1,775,353
Net pension liability	13,737,850	4,338,517	18,076,367
Total noncurrent liabilities	<u>18,948,675</u>	<u>6,941,231</u>	<u>25,889,906</u>
Total liabilities	<u>24,108,663</u>	<u>7,977,581</u>	<u>32,086,244</u>
DEFERRED INFLOWS OF RESOURCES			
Pension Plan	2,260,552	791,034	3,051,586
Total deferred inflows of resources	<u>2,260,552</u>	<u>791,034</u>	<u>3,051,586</u>
NET POSITION			
Net investment in capital assets	29,241,280	17,634,469	46,875,749
Restricted	1,541,432	-	1,541,432
Unrestricted	23,727,651	7,615,726	31,343,377
Total net position	<u>54,510,363</u>	<u>25,250,195</u>	<u>79,760,558</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 80,879,578</u>	<u>\$ 34,018,810</u>	<u>\$ 114,898,388</u>

The accompanying notes are an integral part of these basic financial statements.

City of Arcata, California
Statement of Activities
For the year ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 2,887,328	\$ 49,336	\$ 1,645,076	\$ 10,800
Public safety	5,584,670	322,165	518,990	-
Public works	2,299,536	708,795	978,658	1,294,341
Community development	3,052,932	478,826	1,373,935	-
Parks and recreation	1,517,360	417,010	25,327	-
Interest and fiscal charges	38,731	-	-	-
Total governmental activities	<u>15,380,557</u>	<u>1,976,132</u>	<u>4,541,986</u>	<u>1,305,141</u>
Business-type activities:				
Water	3,464,029	5,027,502	-	-
Wastewater	3,382,650	5,649,131	-	-
Transit	1,255,152	974,405	248,590	-
Solid waste	358,735	455,813	-	-
Stormwater utility	631,074	679,959	-	-
Total business-type activities	<u>9,091,640</u>	<u>12,786,810</u>	<u>248,590</u>	<u>-</u>
Total primary government	<u>\$ 24,472,197</u>	<u>\$ 14,762,942</u>	<u>\$ 4,790,576</u>	<u>\$ 1,305,141</u>

General revenues:

Taxes:

- Property taxes, levied for general purposes
- Transient occupancy tax, levied for general purposes
- Sales taxes
- Franchise taxes
- Utility users tax
- Other taxes

Intergovernmental:

- State motor vehicle in-lieu tax (MVLFF)
- Use of money and property
- Other general revenues

Total general revenues

Transfers

Total general revenues and transfers

Change in net position

Net position:

- Beginning of year
- End of year

The accompanying notes are an integral part of these basic financial statements.

**Net (Expense) Revenue and
Changes in Net Position**

Governmental Activities	Business-Type Activities	Totals
\$ (1,182,116)	\$ -	\$ (1,182,116)
(4,743,515)	-	(4,743,515)
682,258	-	682,258
(1,200,171)	-	(1,200,171)
(1,075,023)	-	(1,075,023)
(38,731)	-	(38,731)
<u>(7,557,298)</u>	<u>-</u>	<u>(7,557,298)</u>
-	1,563,473	1,563,473
-	2,266,481	2,266,481
-	(32,157)	(32,157)
-	97,078	97,078
-	48,885	48,885
-	<u>3,943,760</u>	<u>3,943,760</u>
(7,557,298)	<u>3,943,760</u>	<u>(3,613,538)</u>
1,461,626	-	1,461,626
1,466,680	-	1,466,680
4,960,163	-	4,960,163
247,982	-	247,982
1,215,068	-	1,215,068
31,080	-	31,080
1,552,135	-	1,552,135
257,913	3,027	260,940
275,234	-	275,234
<u>11,467,881</u>	<u>3,027</u>	<u>11,470,908</u>
(130,172)	130,172	-
<u>11,337,709</u>	<u>133,199</u>	<u>11,470,908</u>
3,780,411	4,076,959	7,857,370
50,729,952	21,173,236	71,903,188
<u>\$ 54,510,363</u>	<u>\$ 25,250,195</u>	<u>\$ 79,760,558</u>

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FUND FINANCIAL STATEMENTS
MAJOR FUNDS

Fund	Description
Governmental Funds:	Governmental funds are used for taxes and grants.
General	Primary operating fund of the City; accounts for all activities except those legally or administratively required to be accounted for in other funds.
CDBG Housing Special Revenue	Accounts for activities related to housing and the related CDBG funding.
Housing Revolving Special Revenue	Accounts for activities related to housing and the related funding applicable to the City's loan programs.
Basic Business Loan Revolving	Accounts for the City's business loan program.
STIP	Accounts for funds received and expended for the State Transportation Improvement Program.
Housing Successor	Accounts for funds received and expended for City low and moderate income housing.

City of Arcata, California

Balance Sheet

Governmental Funds

June 30, 2017

	Major Funds		
	General Fund	CDBG Housing Special Revenue	Housing Revolving Special Revenue
ASSETS			
Cash and investments	\$ 8,022,669	\$ 136,590	\$ 578,716
Restricted cash and investments	-	-	-
Receivables:			
Taxes	532,011	-	-
Interest	14,429	-	-
Intergovernmental	1,087,226	-	-
Loans/Notes receivable	-	7,936,924	10,741,724
Other receivable	3,225	98,653	142,645
Due from other funds	488,049	-	-
Inventory	2,153	-	-
Total assets	\$ 10,149,762	\$ 8,172,167	\$ 11,463,085
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 964,297	\$ 6,743	\$ -
Due to other funds	-	-	-
Deposits payable	-	-	-
Other liabilities	1,729,914	-	-
Payable to Successor Agency Private Purpose Trust	-	-	-
Total liabilities	2,694,211	6,743	-
Deferred inflows of resources:			
Unavailable revenue	90,150	7,936,922	10,741,721
Total deferred inflows of resources:	90,150	7,936,922	10,741,721
Total Liabilities and deferred inflows	2,784,361	7,943,665	10,741,721
Fund balances:			
Nonspendable	2,153	-	-
Restricted	-	228,502	721,364
Assigned	-	-	-
Unassigned (Deficit)	7,363,248	-	-
Total fund balances	7,365,401	228,502	721,364
Total liabilities, deferred inflows and fund balances	\$ 10,149,762	\$ 8,172,167	\$ 11,463,085

The accompanying notes are an integral part of these basic financial statements.

Major Funds				
Basic Business Loan Revolving	STIP	Housing Successor	Nonmajor Governmental Funds	Totals
\$ 998,606	\$ -	\$ 565,943	\$ 2,063,226	\$ 12,365,750
-	-	-	2,656,087	2,656,087
-	-	-	-	532,011
-	-	-	-	14,429
-	-	-	1,812,952	2,900,178
2,810,735	-	2,358,882	-	23,848,265
20,019	-	76	-	264,618
11,000	-	-	-	499,049
-	-	-	109,946	112,099
<u>\$ 3,840,360</u>	<u>\$ -</u>	<u>\$ 2,924,901</u>	<u>\$ 6,642,211</u>	<u>\$ 43,192,486</u>
\$ 105	\$ -	\$ -	\$ 1,540,402	\$ 2,511,547
-	-	-	499,049	499,049
-	-	-	23,825	23,825
-	-	-	-	1,729,914
-	-	179,512	-	179,512
<u>105</u>	<u>-</u>	<u>179,512</u>	<u>2,063,276</u>	<u>4,943,847</u>
2,810,737	-	2,358,882	-	23,938,412
<u>2,810,737</u>	<u>-</u>	<u>2,358,882</u>	<u>-</u>	<u>23,938,412</u>
2,810,842	-	2,538,394	2,063,276	28,882,259
-	-	-	109,946	112,099
-	-	-	591,566	1,541,432
1,029,518	-	386,507	4,014,739	5,430,764
-	-	-	(137,316)	7,225,932
<u>1,029,518</u>	<u>-</u>	<u>386,507</u>	<u>4,578,935</u>	<u>14,310,227</u>
<u>\$ 3,840,360</u>	<u>\$ -</u>	<u>\$ 2,924,901</u>	<u>\$ 6,642,211</u>	<u>\$ 43,192,486</u>

City of Arcata, California
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2017

Total fund balances - total governmental funds \$ 14,310,227

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet. 31,966,818

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet.

Compensated absences	\$ (444,305)	
Due within one year	(552,350)	
Due after one year	(3,074,950)	
Net OPEB obligation	(1,775,353)	
Net pension liability	<u>(13,265,115)</u>	(19,112,073)

Governmental funds notes receivable from various loan programs are deferred under the current financial resources measurement focus. The notes receivable are recognized in the government-wide Statement of Net Position under the accrual basis of accounting. 23,938,412

Pension obligations result in deferred outflows and inflows of resources associated with the actuarial value of contributions, assets and liabilities.

Deferred outflows	3,848,611	
Deferred inflows	<u>(2,260,552)</u>	1,588,059

Internal services funds are used by management to charge the costs of certain activities, such as central garage, to individual funds. The assets and liabilities of the internal service funds are:

Current assets	1,468,950	
Noncurrent assets	901,762	
Accounts payable and accrued liabilities	(51,764)	
Noncurrent liabilities	<u>(500,028)</u>	1,818,920

Net Position of governmental activities \$ 54,510,363

The accompanying notes are an integral part of these basic financial statements.

City of Arcata, California

Reconciliation of Fund Basis Balance Sheet to Government-wide Statement of Net Position

Governmental Activities

June 30, 2017

	Governmental Funds Balance Sheet	Reclassifications	Changes in GAAP	Internal Services Balances	Statement of Net Position
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Current assets:					
Cash and investments	\$ 12,365,750	\$ -	\$ -	\$ 1,456,523	\$ 13,822,273
Receivables:					
Taxes	532,011	-	-	-	532,011
Interest	14,429	-	-	-	14,429
Intergovernmental	2,900,178	-	-	-	2,900,178
Loans/Notes receivable	23,848,265	-	-	-	23,848,265
Other receivable	264,618	-	-	-	264,618
Due from other funds	499,049	(499,049)	-	-	-
Inventory	112,099	-	-	12,427	124,526
Total current assets	43,192,486	(499,049)	-	1,468,950	44,162,387
Noncurrent assets:					
Capital assets, net	-	-	31,966,818	901,762	32,868,580
Total noncurrent assets	-	-	31,966,818	901,762	32,868,580
Total assets	43,192,486	(499,049)	31,966,818	2,370,712	77,030,967
Deferred outflows of resources:					
Pension Plan	-	-	3,720,013	128,598	3,848,611
Total assets and deferred outflows of resources	\$ 43,192,486	\$ (499,049)	\$ 35,686,831	\$ 2,499,310	\$ 80,879,578
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 2,511,547	\$ -	\$ -	\$ 33,129	\$ 2,544,676
Due to other funds	499,049	(499,049)	-	-	-
Deposits payable	23,825	-	-	-	23,825
Compensated absences - current portion	-	-	111,076	4,000	115,076
Other liabilities	1,729,914	-	-	-	1,729,914
Payable to Successor Agency Private Purpose Trust/Fiduciary Activities	179,512	-	-	-	179,512
Due within one year	-	-	552,350	14,635	566,985
Total current liabilities	4,943,847	(499,049)	663,426	51,764	5,159,988
Noncurrent liabilities:					
Long-term liabilities:					
Compensated absences	-	-	333,229	12,000	345,229
Due after one year	-	-	3,074,950	15,293	3,090,243
Net OPEB obligation	-	-	1,775,353	-	1,775,353
Net pension liability	-	-	13,265,115	472,735	13,737,850
Total noncurrent liabilities	-	-	18,448,647	500,028	18,948,675
Total liabilities	4,943,847	(499,049)	19,112,073	551,792	24,108,663
Deferred inflows of resources					
Unavailable revenue	23,938,412	-	(23,938,412)	-	-
Pension plan	-	-	2,183,949	76,603	2,260,552
Total liabilities and deferred inflows of resources:	28,882,259	(499,049)	(2,642,390)	628,395	26,369,215
FUND BALANCES/NET POSITION					
Fund balances:					
Nonspendable	112,099	(112,099)	-	-	-
Restricted	1,541,432	(1,541,432)	-	-	-
Assigned	5,430,764	(5,430,764)	-	-	-
Unassigned (deficit)	7,225,932	(7,225,932)	-	-	-
Net position:					
Net investment in capital assets	-	-	28,339,518	901,762	29,241,280
Restricted	-	-	1,541,432	-	1,541,432
Unrestricted	-	14,310,227	8,448,271	969,153	23,727,651
Total fund balances/net position	14,310,227	-	38,329,221	1,870,915	54,510,363
Total liabilities, deferred inflows and net position	\$ 43,192,486	\$ (499,049)	\$ 35,686,831	\$ 2,499,310	\$ 80,879,578

The accompanying notes are an integral part of these basic financial statements.

City of Arcata, California

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

For the year ended June 30, 2017

	Major Funds		
	General Fund	CDBG Housing Special Revenue	Housing Revolving Special Revenue
REVENUES:			
Taxes and assessments	\$ 9,351,519	\$ -	\$ -
Licenses and permits	383,965	-	-
Fines and forfeitures	226,383	-	-
Intergovernmental	2,013,819	-	-
Use of money and property	138,039	486,614	315,061
Charges for services	821,439	-	-
Reimbursements	1,656,894	-	-
Other revenues	38,403	-	-
Total revenues	14,630,461	486,614	315,061
EXPENDITURES:			
Current:			
General government	2,990,734	-	-
Public safety	5,742,936	-	-
Public works	603,962	-	-
Community development	1,114,598	385,981	6,906
Parks and recreation	1,294,942	-	-
Capital outlay	583,569	-	-
Debt service:			
Principal	33,950	-	-
Interest and fiscal charges	38,731	-	-
Total expenditures	12,403,422	385,981	6,906
REVENUES OVER (UNDER) EXPENDITURES	2,227,039	100,633	308,155
OTHER FINANCING SOURCES (USES):			
Transfers in	14,544	-	-
Transfers out	(970,833)	-	(11,397)
Total other financing sources (uses)	(956,289)	-	(11,397)
Net change in fund balances	1,270,750	100,633	296,758
FUND BALANCES:			
Beginning of year	6,094,651	127,869	424,606
End of year	\$ 7,365,401	\$ 228,502	\$ 721,364

The accompanying notes are an integral part of these basic financial statements.

Major Funds				
Basic Business Loans Revolving	STIP	Housing Successor	Other Governmental Funds	Totals
\$ -	\$ -	\$ -	\$ 31,080	\$ 9,382,599
-	-	-	23,328	407,293
-	-	-	96,978	323,361
-	-	-	2,532,166	4,545,985
201,651	-	1,167	220,838	1,363,370
-	-	-	-	821,439
-	-	-	-	1,656,894
-	-	-	501,135	539,538
<u>201,651</u>	<u>-</u>	<u>1,167</u>	<u>3,405,525</u>	<u>19,040,479</u>
-	-	-	-	2,990,734
-	-	-	376,980	6,119,916
-	173,107	-	892,301	1,669,370
3,276	-	30,180	822,032	2,362,973
-	-	-	297,204	1,592,146
-	-	-	2,188,997	2,772,566
-	-	-	-	33,950
-	-	-	-	38,731
<u>3,276</u>	<u>173,107</u>	<u>30,180</u>	<u>4,577,514</u>	<u>17,580,386</u>
<u>198,375</u>	<u>(173,107)</u>	<u>(29,013)</u>	<u>(1,171,989)</u>	<u>1,460,093</u>
-	180,464	-	722,640	917,648
-	-	-	(65,590)	(1,047,820)
-	180,464	-	657,050	(130,172)
<u>198,375</u>	<u>7,357</u>	<u>(29,013)</u>	<u>(514,939)</u>	<u>1,329,921</u>
<u>831,143</u>	<u>(7,357)</u>	<u>415,520</u>	<u>5,093,874</u>	<u>12,980,306</u>
<u>\$ 1,029,518</u>	<u>\$ -</u>	<u>\$ 386,507</u>	<u>\$ 4,578,935</u>	<u>\$ 14,310,227</u>

City of Arcata, California

Reconciliation of Fund Basis Statements to Government-wide Statement of Activities

For the year ended June 30, 2017

Functions/Programs	Fund Based Totals	Compensated			Capital			Government- wide Totals
		Absences/ Debt Service	Internal Service	Depreciation	(Additions)/ Retirements	OPEB Obligation	Pension Plan	
Governmental activities:								
General government	\$ 2,990,734	\$ (89,264)	\$ (234,396)	\$ 158,288	\$ -	\$ 271,175	\$ (209,209)	\$ 2,887,328
Public safety	6,119,916	(213,894)	-	106,750	-	-	(428,102)	5,584,670
Public works	1,669,370	(58,345)	-	805,288	-	-	(116,777)	2,299,536
Community development	2,362,973	(82,587)	-	62,496	612,092	-	(165,296)	3,052,932
Parks and recreation	1,592,146	(55,646)	-	92,235	-	-	(111,375)	1,517,360
Capital outlay	2,772,566	-	-	-	(2,772,566)	-	-	-
Debt service/Interest	72,681	(33,950)	-	-	-	-	-	38,731
Total governmental activities	\$ 17,580,386	\$ (533,686)	\$ (234,396)	\$ 1,225,057	\$ (2,160,474)	\$ 271,175	\$ (1,030,759)	\$ 15,380,557

The accompanying notes are an integral part of these basic financial statements.

City of Arcata, California

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the year ended June 30, 2017

Net change in fund balances - total governmental funds		\$ 1,329,921
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
Capital asset purchases capitalized	\$ 2,160,474	
Depreciation expense	<u>(1,225,057)</u>	935,417
Certain notes receivable are reported in the governmental funds as expenditures and then offset by a deferred revenue as they are not available to pay current expenditures. Likewise, when the note is collected it is reflected in revenue. This is the net change between notes receivable collected and issued.		(263,254)
Repayment and issuance of debt is an expenditure and other financing source in the governmental funds, but the repayment reduces and the issuance increases long-term liabilities in the Statement of Net Position:		
Debt principal payments		548,950
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Change in compensated absences		(15,264)
Certain employee benefit obligations are recorded on a pay-as-you-go basis in the governmental funds, but are accrued as liabilities in the Statement of Net Position:		
Net OPEB obligation	(271,175)	
Pension Plan	<u>1,281,420</u>	1,010,245
Internal services funds are used by management to charge the costs of certain activities, such as central garage, to individual funds. The change in Net Position of the Internal Service Funds is included in the governmental activities in the government-wide Statement of Net Position less transfers.		234,396
Change in Net Position of governmental activities		<u>\$ 3,780,411</u>

The accompanying notes are an integral part of these basic financial statements.

City of Arcata, California
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget to Actual - Major Funds
For the year ended June 30, 2017

	General Fund			Variance w/Final Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES:				
Taxes and assessments	\$ 9,084,050	\$ 9,360,050	\$ 9,351,519	\$ (8,531)
Licenses and permits	375,200	390,200	383,965	(6,235)
Fines and forfeitures	240,000	250,000	226,383	(23,617)
Intergovernmental	1,940,913	2,394,111	2,013,819	(380,292)
Use of money and property	165,360	165,360	138,039	(27,321)
Charges for services	743,096	840,396	821,439	(18,957)
Reimbursements	1,666,252	1,671,739	1,656,894	(14,845)
Other revenues	20,750	27,090	38,403	11,313
Total revenues	14,235,621	15,098,946	14,630,461	(468,485)
EXPENDITURES:				
Current:				
General government	3,029,698	3,161,374	2,990,734	170,640
Public safety	5,732,534	6,007,915	5,742,936	264,979
Public works	550,836	612,405	603,962	8,443
Community development	1,215,652	1,210,306	1,114,598	95,708
Parks and recreation	1,314,313	1,355,546	1,294,942	60,604
Capital outlay	1,437,273	3,144,058	583,569	2,560,489
Debt service:				
Principal	33,950	33,950	33,950	-
Interest and fiscal charges	38,750	38,750	38,731	19
Total expenditures	13,353,006	15,564,304	12,403,422	3,160,882
REVENUES OVER (UNDER)				
EXPENDITURES	882,615	(465,358)	2,227,039	2,692,397
OTHER FINANCING SOURCES (USES):				
Proceeds from issuance of long term debt	-	-	-	-
Payments to CALPERS	-	-	-	-
Proceeds from sales of assets	-	-	-	-
Transfer from private purpose trust	-	-	-	-
Transfers in	5,000	13,000	14,544	1,544
Transfers out	(969,379)	(977,379)	(970,833)	6,546
Total other financing sources (uses)	(964,379)	(964,379)	(956,289)	8,090
Net change in fund balances	(81,764)	(1,429,737)	1,270,750	2,700,487
FUND BALANCES:				
Beginning of year	6,094,651	6,094,651	6,094,651	-
End of year	\$ 6,012,887	\$ 4,664,914	\$ 7,365,401	\$ 2,700,487

The accompanying notes are an integral part of these basic financial statements.

CDBG Housing Special Revenue Fund				Housing Revolving Special Revenue Fund			
<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance w/Final</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance w/Final</u>
<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
515,000	515,000	486,614	(28,386)	41,500	41,500	315,061	273,561
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
515,000	515,000	486,614	(28,386)	41,500	41,500	315,061	273,561
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
530,155	530,155	385,981	144,174	201,485	201,485	6,906	194,579
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
530,155	530,155	385,981	144,174	201,485	201,485	6,906	194,579
(15,155)	(15,155)	100,633	115,788	(159,985)	(159,985)	308,155	468,140
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	(11,397)	(11,397)
-	-	-	-	-	-	(11,397)	(11,397)
(15,155)	(15,155)	100,633	115,788	(159,985)	(159,985)	296,758	456,743
127,869	127,869	127,869	-	424,606	424,606	424,606	-
\$ 112,714	\$ 112,714	\$ 228,502	\$ 115,788	\$ 264,621	\$ 264,621	\$ 721,364	\$ 456,743

(continued)

City of Arcata, California
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Budget to Actual - Major Funds
For the year ended June 30, 2017

	Basic Business Loan Revolving			Variance w/Final Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUES:				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Fines and forfeitures	-	-	-	-
Intergovernmental	-	-	-	-
Use of money and property	29,000	29,000	201,651	172,651
Charges for services	-	-	-	-
Reimbursements	-	-	-	-
Other revenues	-	-	-	-
Total revenues	29,000	29,000	201,651	172,651
EXPENDITURES:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Community development	1,485	3,035	3,276	(241)
Parks and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	1,485	3,035	3,276	(241)
REVENUES OVER (UNDER)				
EXPENDITURES	27,515	25,965	198,375	172,410
OTHER FINANCING SOURCES (USES):				
Proceeds from issuance of long term debt				
Payments to CALPERS				
Transfer to Successory Agency	-	-	-	-
Transfer from private purpose trust	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	27,515	25,965	198,375	172,410
FUND BALANCES:				
Beginning of year	831,143	831,143	831,143	-
End of year	\$ 858,658	\$ 857,108	\$ 1,029,518	\$ 172,410

STIP				Housing Successor			
Budgeted Amounts		Actual	Variance w/Final	Budgeted Amounts		Actual	Variance w/Final
Original	Final		Positive (Negative)	Original	Final		Positive (Negative)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	8,000	8,000	1,167	(6,833)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	8,000	8,000	1,167	(6,833)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	173,107	(173,107)	-	-	-	-
-	-	-	-	64,331	89,331	30,180	59,151
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	173,107	(173,107)	64,331	89,331	30,180	59,151
-	-	-	-	-	-	-	-
-	-	(173,107)	(173,107)	(56,331)	(81,331)	(29,013)	52,318
-	-	-	-	100,000	100,000	-	(100,000)
-	-	-	-	-	-	-	-
-	-	180,464	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	180,464	-	100,000	100,000	-	(100,000)
-	-	7,357	(173,107)	43,669	18,669	(29,013)	(47,682)
14,004	14,004	14,004	-	-	-	-	-
\$ 14,004	\$ 14,004	\$ 21,361	\$ (173,107)	\$ 43,669	\$ 18,669	\$ (29,013)	\$ (47,682)

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ENTERPRISE FUNDS

Fund	Description
Major Funds:	
Water Fund	Accounts for the operation and maintenance of the City's water treatment and distribution system.
Wastewater Fund	Accounts for the operation and maintenance of the City's wastewater treatment plant and collection facilities.
Transit Fund	Accounts for Transportation Development Act revenues restricted for the City's transportation needs and fare revenue for the City's Dial a Ride program.
Solid Waste Fund	Accounts for all activities associated with the operation and maintenance of providing solid waste services.
Stormwater Utility Fund	Accounts for revenues and expenses associated with the administration and coordination of stormwater drainage activities in conjunction with the County of Humboldt.

City of Arcata, California
Statement of Net Position
Proprietary Funds
June 30, 2017

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Transit Fund</u>
ASSETS			
Current assets:			
Cash and investments	\$ 4,599,765	\$ 5,308,025	\$ 523,062
Receivables:			
Accounts	410,040	538,866	-
Intergovernmental	-	-	62,359
Inventory	84,907	13,741	-
Total current assets	<u>5,094,712</u>	<u>5,860,632</u>	<u>585,421</u>
Noncurrent assets:			
Prepaid debt issuance costs	46,962	24,276	-
Capital assets, net	3,486,586	7,087,107	1,794,516
Total noncurrent assets	<u>3,533,548</u>	<u>7,111,383</u>	<u>1,794,516</u>
Total Assets	<u>8,628,260</u>	<u>12,972,015</u>	<u>2,379,937</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension plan	422,026	511,520	131,478
Total assets and deferred outflows of resources	<u>\$ 9,050,286</u>	<u>\$ 13,483,535</u>	<u>\$ 2,511,415</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 120,447	\$ 129,582	\$ 9,046
Accrued payroll	47,760	55,839	17,592
Interest payable	-	1,993	-
Deposits payable	286,520	25,588	-
Compensated absences - current portion	13,780	15,618	3,514
Due within one year	65,650	159,000	-
Total current liabilities	<u>534,157</u>	<u>387,620</u>	<u>30,152</u>
Noncurrent liabilities:			
Compensated absences	41,341	46,851	10,541
Due within one year	-	-	-
Due after one year	1,636,050	850,000	-
Net pension liability	1,514,586	1,729,799	429,816
Total noncurrent liabilities	<u>3,191,977</u>	<u>2,626,650</u>	<u>440,357</u>
Total liabilities	<u>3,726,134</u>	<u>3,014,270</u>	<u>470,509</u>
DEFERRED INFLOWS OF RESOURCES			
Pension plan	277,718	315,840	72,785
Total deferred inflows of resources	<u>277,718</u>	<u>315,840</u>	<u>72,785</u>
Net Position:			
Net investment in capital assets	1,850,536	6,237,107	1,794,516
Unrestricted	3,195,898	3,916,318	173,605
Total net position	<u>5,046,434</u>	<u>10,153,425</u>	<u>1,968,121</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 9,050,286</u>	<u>\$ 13,483,535</u>	<u>\$ 2,511,415</u>

The accompanying notes are an integral part of these basic financial statements.

Solid Waste Fund	Stormwater Utility Fund	Totals	Governmental Activities Internal Service Funds
\$ 529,478	\$ 185,061	\$ 11,145,391	\$ 1,456,523
32,087	253,159	1,234,152	-
19,405	9,719	91,483	-
-	1,947	100,595	12,427
<u>580,970</u>	<u>449,886</u>	<u>12,571,621</u>	<u>1,468,950</u>
-	-	71,238	-
1,773	7,750,537	20,120,519	901,762
<u>1,773</u>	<u>7,750,537</u>	<u>20,191,757</u>	<u>901,762</u>
<u>582,743</u>	<u>8,200,423</u>	<u>32,763,378</u>	<u>2,370,712</u>
67,003	123,405	1,255,432	128,598
<u>\$ 649,746</u>	<u>\$ 8,323,828</u>	<u>\$ 34,018,810</u>	<u>\$ 2,499,310</u>
\$ 3,128	\$ 50,253	\$ 312,456	\$ 15,730
8,056	14,608	143,855	17,399
-	-	1,993	-
-	2,400	314,508	-
2,320	3,656	38,888	4,000
-	-	224,650	-
<u>13,504</u>	<u>70,917</u>	<u>1,036,350</u>	<u>37,129</u>
6,962	10,969	116,664	12,000
-	-	-	-
-	-	2,486,050	29,928
215,976	448,340	4,338,517	472,735
<u>222,938</u>	<u>459,309</u>	<u>6,941,231</u>	<u>514,663</u>
<u>236,442</u>	<u>530,226</u>	<u>7,977,581</u>	<u>551,792</u>
41,351	83,340	791,034	76,603
<u>41,351</u>	<u>83,340</u>	<u>791,034</u>	<u>76,603</u>
1,773	7,750,537	17,634,469	901,762
370,180	(40,275)	7,615,726	969,153
<u>371,953</u>	<u>7,710,262</u>	<u>25,250,195</u>	<u>1,870,915</u>
<u>\$ 649,746</u>	<u>\$ 8,323,828</u>	<u>\$ 34,018,810</u>	<u>\$ 2,499,310</u>

City of Arcata, California
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the year ended June 30, 2017

	Water Fund	Wastewater Fund	Transit Fund
OPERATING REVENUES:			
Charges for service	\$ 5,007,455	\$ 5,622,375	\$ 964,728
Interdepartmental charges	-	-	-
Other operating revenue	20,047	26,756	9,677
Total operating revenues	5,027,502	5,649,131	974,405
OPERATING EXPENSES:			
Salaries and benefits	1,060,733	1,306,587	481,803
Contractual services	110,745	421,296	287,622
Materials and supplies	197,267	403,572	8,081
Repairs and maintenance	146,974	139,564	133,530
Purchased water	1,156,088	-	-
Utilities	59,359	157,277	547
Insurance	67,091	67,091	41,991
Taxes and fees	11,488	59,249	344
Allocated overhead	422,940	422,950	83,450
Depreciation	156,806	377,678	217,784
Amortization	-	-	-
Total operating expenses	3,389,491	3,355,264	1,255,152
OPERATING INCOME	1,638,011	2,293,867	(280,747)
NONOPERATING REVENUES (EXPENSES):			
Intergovernmental revenues (expenses)	-	2,410	248,590
Interest revenue	2,038	795	(458)
Interest expense	(74,538)	(29,796)	-
Total non-operating revenues, net	(72,500)	(26,591)	248,132
NET INCOME BEFORE TRANSFERS	1,565,511	2,267,276	(32,615)
Transfers in	-	-	-
Transfers out	(60,000)	(60,000)	(36,000)
Total transfers	(60,000)	(60,000)	(36,000)
CHANGE IN NET POSITION	1,505,511	2,207,276	(68,615)
NET POSITION:			
Beginning of year	3,540,923	7,946,149	2,036,736
End of year	\$ 5,046,434	\$ 10,153,425	\$ 1,968,121

The accompanying notes are an integral part of these basic financial statements.

Solid Waste Fund	Stormwater Utility Fund	Totals	Governmental Activities Internal Service Funds
\$ 444,765	\$ 671,466	\$ 12,710,789	\$ -
-	-	-	1,431,740
11,048	8,493	76,021	27,684
<u>455,813</u>	<u>679,959</u>	<u>12,786,810</u>	<u>1,459,424</u>
172,804	281,565	3,303,492	371,844
54,461	104,650	978,774	37,992
23,211	90,025	722,156	273,680
3,971	10,578	434,617	49,587
-	-	1,156,088	-
-	249	217,432	-
4,129	11,870	192,172	133,277
-	15,880	86,961	-
99,940	94,570	1,123,850	44,950
219	41,256	793,743	314,530
-	-	-	-
<u>358,735</u>	<u>650,643</u>	<u>9,009,285</u>	<u>1,225,860</u>
<u>97,078</u>	<u>29,316</u>	<u>3,777,525</u>	<u>233,564</u>
-	19,569	270,569	-
603	49	3,027	863
-	-	(104,334)	(31)
<u>603</u>	<u>19,618</u>	<u>169,262</u>	<u>832</u>
97,681	48,934	3,946,787	234,396
-	321,172	321,172	-
(35,000)	-	(191,000)	-
<u>(35,000)</u>	<u>321,172</u>	<u>130,172</u>	<u>-</u>
62,681	370,106	4,076,959	234,396
309,272	7,340,156	21,173,236	1,636,519
<u>\$ 371,953</u>	<u>\$ 7,710,262</u>	<u>\$ 25,250,195</u>	<u>\$ 1,870,915</u>

City of Arcata, California
Statement of Cash Flows
Proprietary Funds
For the year ended June 30, 2017

	Water Fund	Wastewater Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers/users for services provided	\$ 5,022,866	\$ 5,677,819
Cash received from interfund services provided	-	-
Cash payments to suppliers for goods and services	(2,264,493)	(1,820,977)
Cash payments to employees for services	(1,186,585)	(1,464,523)
Net cash provided by operating activities	1,571,788	2,392,319
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers received	-	-
Transfers paid	(60,000)	(60,000)
Net cash used by noncapital financing activities	(60,000)	(57,590)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Capital grants received	-	-
Acquisition and construction of capital assets	(25,461)	(133,158)
Principal paid on long term debt	(63,050)	(155,000)
Interest paid on long term debt	(74,538)	(29,796)
Proceeds from the sale of capital assets	-	-
Net cash (used) by capital and related financing activities	(163,049)	(317,954)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income received	2,038	795
Net cash provided by investing activities	2,038	795
Net increase (decrease) in cash and cash equivalents	1,350,777	2,017,570
CASH AND CASH EQUIVALENTS:		
Beginning of year	3,228,941	3,290,455
End of year	\$ 4,579,718	\$ 5,308,025
Reconciliation of income from operations to net cash provided by operating activities:		
Operating income	\$ 1,638,011	\$ 2,293,867
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	156,806	377,678
Pension expense	(126,856)	(154,799)
(Increase) decrease in current assets:		
Accounts receivable	(4,350)	3,100
Intergovernmental receivables	-	-
Inventory	772	(3,017)
Prepaid items	2,609	4,046
Increase (decrease) in liabilities:		
Accounts payable	(95,922)	(151,007)
Accrued liabilities	(1,525)	(3,492)
Deposits payable	19,761	25,588
Compensated absences	2,529	355
Net cash provided by operating activities	\$ 1,591,835	\$ 2,392,319

There were no noncash investing, capital, or financing activities affecting recognized assets and liabilities for the year ended June 30, 2017.

The accompanying notes are an integral part of these basic financial statements.

Transit Fund	Solid Waste Fund	Stormwater Utility Fund	Totals	Governmental Activities	
				Internal Service Funds	
\$ 912,046	\$ 457,343	\$ 635,537	\$ 12,705,611	\$ -	
-	-	-	-	1,459,424	
(615,391)	(200,168)	(453,950)	(5,354,979)	(632,180)	
(539,386)	(190,573)	(317,333)	(3,698,400)	(413,580)	
<u>(242,731)</u>	<u>66,602</u>	<u>(135,746)</u>	<u>3,652,232</u>	<u>413,664</u>	
-	-	321,172	321,172	-	
<u>(36,000)</u>	<u>(35,000)</u>	<u>-</u>	<u>(191,000)</u>	<u>-</u>	
<u>(36,000)</u>	<u>(35,000)</u>	<u>321,172</u>	<u>132,582</u>	<u>-</u>	
248,590	-	19,569	268,159	-	
-	-	(173,400)	(332,019)	(229,470)	
-	-	-	(218,050)	(14,005)	
-	-	-	(104,334)	(31)	
-	-	-	-	-	
<u>248,590</u>	<u>-</u>	<u>(153,831)</u>	<u>(386,244)</u>	<u>(243,506)</u>	
(458)	603	49	3,027	863	
<u>(458)</u>	<u>603</u>	<u>49</u>	<u>3,027</u>	<u>863</u>	
(30,599)	32,205	31,644	3,401,597	171,021	
553,661	497,273	153,417	7,723,747	1,285,502	
<u>\$ 523,062</u>	<u>\$ 529,478</u>	<u>\$ 185,061</u>	<u>\$ 11,125,344</u>	<u>\$ 1,456,523</u>	
\$ (280,747)	\$ 97,078	\$ 29,316	\$ 3,777,525	\$ 233,564	
217,784	219	41,256	793,743	314,530	
(43,542)	(19,028)	(36,343)	(380,568)	(45,257)	
-	1,358	(119,285)	(119,177)	-	
(62,359)	172	74,863	12,676	-	
-	-	506	(1,739)	1,153	
-	-	-	6,655	-	
(59,826)	(14,456)	(126,634)	(447,845)	(93,847)	
(9,703)	608	602	(13,510)	316	
-	-	-	45,349	-	
<u>(4,338)</u>	<u>651</u>	<u>(27)</u>	<u>(830)</u>	<u>3,205</u>	
<u>\$ (242,731)</u>	<u>\$ 66,602</u>	<u>\$ (135,746)</u>	<u>\$ 3,672,279</u>	<u>\$ 413,664</u>	

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FIDUCIARY ACTIVITIES

Fund	Description
<hr/> Private Purpose Trust Funds are used for resources held for other individuals and entities in a manner similar to private enterprise. <hr/>	
Private Purpose Trust Funds	
Successor Agency - Arcata Community Development Agency	Accounts for funds collected and disbursed for the dissolution of the former Arcata Community Development Agency related to Administration and Retirement of enforceable obligations

City of Arcata, California
Statement of Fiduciary Net Position
Fiduciary Activities
June 30, 2017

	<u>Successor Agency</u> Former Arcata Community Development Agency
ASSETS	
Current assets:	
Cash and investments	\$ 627,500
Cash and investments with trustee/fiscal agent	2
Due from the City of Arcata	179,512
Total current assets	<u>807,014</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension plan	62,599
Total assets and deferred outflows of resources	<u><u>\$ 869,613</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	\$ 1,456
Due within one year	374,471
Total current liabilities	<u>375,927</u>
Long-term liabilities:	
Due after one year	5,407,891
Net pension liability	202,318
Total long-term liabilities	<u>5,610,209</u>
Total liabilities	<u>5,986,136</u>
DEFERRED INFLOWS OF RESOURCES	
Pension plan	55,100
Total deferred inflows of resources	<u>55,100</u>
NET POSITION (DEFICIT)	
Net position held in trust for	
Redevelopment Dissolution	(5,171,623)
Total Net Position (deficit)	<u>(5,171,623)</u>
Total liabilities and net position	<u><u>\$ 869,613</u></u>

The accompanying notes are an integral part of these basic financial statements.

City of Arcata, California
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Funds
For the year ended June 30, 2017

	<u>Successor Agency</u>
	Former Arcata Community Development Agency
	<u>Agency</u>
ADDITIONS:	
Property taxes	\$ 570,421
Investment income	972
Other additions	1,375
Total operating revenues	<u>572,768</u>
DEDUCTIONS:	
Community development	52,931
Interest and trustee fees	204,025
Total operating expenses	<u>256,956</u>
CHANGE IN FIDUCIARY NET ASSETS	<u>315,812</u>
NET ASSETS (DEFICIT):	
Beginning of year	(5,487,435)
End of year	<u>\$ (5,171,623)</u>

The accompanying notes are an integral part of these basic financial statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

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City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Arcata (City) was incorporated in 1858, under the laws and regulations of the State of California (State). The City operates under a City Council/Manager form of government and provides the following services: public safety (Police), highways and streets, solid waste, storm water utility, public improvements, planning and zoning, and general administration.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. On June 15, 1987, GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The City applies all GASB pronouncements to its activities.

In addition, the City applies all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) issued after November 30, 1989, unless they conflict with or contradict GASB pronouncements. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Financial Reporting Entity

The City operates as a self-governing local government unit within the State. It has limited authority to levy taxes and has the authority to determine user fees for the services that it provides. The City's main funding sources include sales taxes, other intergovernmental revenue from state and federal sources, user fees, and federal and state financial assistance.

The financial reporting entity consists of (a) the primary government, the City, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and either (a) the City has the ability to impose its will on the organization, or (b) there is a potential for the organization to provide a financial benefit to or impose a financial burden on the City.

As required by GAAP, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. These component units are reported on a blended basis. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. The financial statements of the individual component units, if applicable as indicated below, may be obtained by writing to the City of Arcata, Finance Department, 736 F Street, Arcata, CA 95521.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Basis of Presentation

Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided by a given function or segment, 2) operating grants and contributions, and 3) capital grants and contributions restricted to the operating or capital requirements of a specific function or segment. All taxes and internally dedicated resources are reported as *general revenues* rather than program revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental fund are at least ten percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least five percent of the corresponding total for all governmental funds combined.

The City reports the following major funds:

- General Fund
- CDBG Housing Special Revenue Fund
- Housing Revolving Special Revenue Fund

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Basis of Presentation, Continued

Descriptions of these funds are included on the divider page preceding the Governmental Funds Balance Sheet.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The General Fund is used to account for resources traditionally associated with the City which are not required legally or by sound financial management to be accounted for in another fund. From this fund are paid the City's general operating expenditures, the fixed charges, and the capital costs that are not paid through other funds.

Special Revenue Funds

The Special Revenue Funds are used to account for specific revenues that are legally or otherwise restricted to expenditures for particular purposes.

Capital Project Funds

The Capital Projects Funds are used to account for financial resources used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

Proprietary Funds

Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges.

Internal Service Funds

Internal Service Funds are used to account for financial transactions related to the City's Garage Department and Information Technology Department. These services are provided to other departments or agencies of the City on a cost reimbursement basis.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Fiduciary Funds

Basis of Presentation, Continued

Private Purpose Trust Funds

Private Purpose Trust Funds account for resources held for other individuals or entities in a manner similar to private enterprise.

Measurement Focus

Measurement focus is a term used to describe which transactions are recorded within the various financial statements.

On the government-wide Statement of Net position and the Statement of Activities, governmental and business-type activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as Net position, which serves as an indicator of financial position.

In the fund financial statements, the “current financial resources” measurement focus is used for governmental funds. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

The enterprise funds and private purpose trust funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of net income, financial position, and cash flows. Enterprise fund and private purpose trust funds equity is classified as net position.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

In the government-wide Statement of Net position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Basis of Accounting, Continued

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means the amount is collectible within the current period or soon enough thereafter to pay current liabilities. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year end, with the exception of grant revenues and Transportation Development Act (TDA) revenues. Grant revenues are considered to be available if collected within 180 days and TDA revenues are considered to be available if collected within 90 days of the end of the current fiscal period.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

The enterprise funds and agency funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Operating revenues in the fund are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Assets, Liabilities, and Equity

Cash Deposits and Investments

The City’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The City pools cash and investments from all funds for the purpose of increasing income through investment activities. Highly liquid money market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Market value is used as fair value for those securities for which market quotations are readily available.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Assets, Liabilities, and Equity, Continued

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net position. See Note 9 for details of interfund transactions, including receivables and payables at year-end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include property taxes, sales and use taxes, utility user taxes, intergovernmental subventions, interest earnings, and expense reimbursements.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as property tax, sales tax, utility user tax, and intergovernmental subventions since they are usually both measurable and available. Non-exchange transactions collectible but not available, such as property tax, are deferred in the fund financial statements in accordance with the modified accrual basis, but not deferred in the government-wide financial statements in accordance with the accrual basis.

Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available. The loans receivable are recorded in the fund statements, but are deferred to indicate they do not represent current financial resources. The loans are recognized when advanced in the government-wide statements. The City’s experience is that all accounts receivable are collectible; therefore an allowance for doubtful accounts is unnecessary.

Inventory

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of supplies are expended when purchased because the amounts are not considered to be material. Inventories of governmental funds are recorded as expenditures when used or consumed.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. In the governmental fund financial statements, prepaid items are offset with a reservation of fund balance for long-term assets to indicate they do not constitute current resources available for appropriation.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Assets, Liabilities, and Equity, Continued

Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost, if actual is unavailable, except for donated Capital Assets which are recorded at their estimated fair value at the date of donation. Policy has set the capitalization threshold for reporting at \$5,000 for non-infrastructure capital assets and \$25,000 for infrastructure capital assets.

Government-Wide Statements

Public domain (infrastructure) capital assets include roads, bridges, curbs and gutters, streets, sidewalks, drainage systems, and lighting systems.

The accounting treatment of property, plant and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. No depreciation is recorded in the year of acquisition or in the year of disposition.

The range of estimated useful lives by type of asset is as follows:

Buildings and improvements	5 – 50 years	Landscaping	30 years
Roadway improvements	50 years	Signage	25 years
Sidewalks, curbs, and gutters	50 years	Leasehold improvements	5 years
Storm drain pipes/structures	50 years	Machinery and equipment	3 – 5 years
Traffic signal devices	5 – 40 years	Vehicles	3 years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category, deferred charges on the city's pension plans reported on the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, deferred inflows on the City's pension plans reported in the government-wide statement of net position.

Compensated Absences

Employees accrue vacation, sick, holiday, and compensatory time off benefits. City employees have vested interests in the amount of accrued time off, with the exception of sick time, and are paid on termination. Also, annually an employee may elect to be compensated for 40 to 120 hours of unused annual leave depending upon their length of service. All vacation pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements and is currently payable. The City had no employee resignations or retirements for which compensated absences should be accrued in governmental funds at year-end. The general fund is typically used to liquidate compensated absences.

Unearned Revenues

Unearned revenues in governmental funds arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues in enterprise funds and the statement of net position arise when resources are received by the City before it has legal claim to them, (i.e., when grant monies are received prior to the incurrence of qualifying expenses).

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Assets, Liabilities, and Equity, Continued

Equity Classification

Government-Wide Statements

Equity is classified as net position and is displayed in three components:

- a. *Invested in capital assets, net of related debt* – consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted net position* – consists of net position with constraints placed on the use by external groups such as creditors, grantors, contributors, or bylaws or regulations of other governments or law through constitutional provisions or enabling legislation.
- c. *Unrestricted net position* – all other net position that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is classified as nonspendable, restricted, committed, assigned, or unassigned. Proprietary fund equity is classified the same as in the government-wide statements. The classifications for governmental funds are defined as follows for the City:

Nonspendable Fund Balance –

- Assets that will never convert to cash (prepaid items, inventory).
- Assets that will not convert to cash soon enough to affect the current period (long-term notes or loans receivable).
- Resources that must be maintained intact pursuant to legal or contractual requirements (the principal of an endowment).

Restricted Fund Balance –

- Resources that are subject to externally enforceable legal restrictions imposed by parties altogether outside the government (creditors, grantors, contributors and other governments).
- Resources that are subject to limitations imposed by law through constitutional provisions or enabling legislation (Gas Tax).

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Equity Classification, Continued

Fund Financial Statements, continued

Committed Fund Balance –

- Self imposed limitations set in place prior to the end of the period (encumbrances, economic contingencies and uncertainties).
- Limitation at the highest level of decision-making (Council) that requires formal action at the same level to remove.
- Council resolution is required to be taken to establish, modify or rescind a fund balance commitment

Assigned Fund Balance –

- Amounts in excess of nonspendable, restricted and committed fund balance in funds other than the general fund automatically are reported as assigned fund balance.
- Assigned amounts for a specific purpose are as authorized by the City's Finance Director through its fund balance policy.

Unassigned Fund Balance –

- Residual net resources
- Total fund balance in the general fund in excess of nonspendable, restricted, committed, and assigned fund balance (surplus).
- Excess of nonspendable, restricted, and committed fund balance over total fund balance (deficit).

Revenues, Expenditures, and Expenses

Property Tax

Property taxes in the State of California are administered for all local agencies at the county level and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes.

Property Valuations – are established by the Assessor of the County of Humboldt (County) for the secured and unsecured property tax rolls; the utility property tax rolls are valued by the State Board of Equalization. Under the provisions of Article XIII A of the State Constitution (Proposition 13 adopted by voters on June 6, 1978) properties are assessed at 100% of full value. From this base of assessment, subsequent annual increases in valuation are limited to a maximum of 2%. However, increases to full value are allowed for property improvements or upon change in ownership. Personal property is excluded from these limitations, and is subject to annual reappraisal.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

Revenues, Expenditures, and Expenses, continued

Property Tax, continued

Tax Levies – are limited to 1% of full value which results in a tax rate of \$1.00 per \$100 assessed valuation, under the provisions of Proposition 13. Tax rates for voter-approved indebtedness are excluded from this limitation.

Tax Levy Dates – are attached annually on January 1 preceding the fiscal year for which the taxes are levied. The fiscal year begins July 1 and ends June 30 of the following year. Taxes are levied on both real and unsecured personal property as it exists at that time. Liens against real estate, as well as the tax on personal property, are not relieved by subsequent renewal or change in ownership.

Tax Collections – are the responsibility of the County Tax Collector. Taxes and assessments on secured and utility rolls which constitute a lien against the property, may be paid in two installments: The first is due on November 1 of the fiscal year and is delinquent if not paid by December 10; and the second is due on March 1 of the fiscal year and is delinquent if not paid by April 10. Unsecured personal property taxes do not constitute a lien against real property unless the taxes become delinquent. Payment must be made in one installment, which is delinquent if not paid by August 31 of the fiscal year. Significant penalties are imposed by the County for late payments.

The County levies, bills, and collects property taxes and special assessments for the City. Property taxes levied are recorded as revenue when received, in the fiscal year of levy, due to the adoption of the “alternate method of property tax distribution”, known as the Teeter Plan, by the City and the County. The Teeter Plan authorizes the Auditor/Controller of the County to allocate 100% of the secured property taxes billed, but not yet paid. The County remits tax monies to the City in three installments as follows:

50 percent remitted in December
45 percent remitted in April
5 percent remitted in June

Interfund Transfers

Resources are reallocated between funds by reporting them as interfund transfers. For the purposes of the Statement of Activities, all interfund transfers between individual governmental funds have been eliminated.

Budgetary Accounting

The City Council establishes budgets for the General Fund and all Special Revenue Funds, except for certain Special Revenue Funds for which expenditures are controlled by grant funding or by assessments received. Budgetary control is legally maintained at the fund level for these funds. Department heads submit budget requests to the City Manager. The City Manager prepares an estimate of revenues and prepares recommendations for the next year’s budget.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, *continued*

The preliminary budget may or may not be amended by the City Council and is adopted by resolution by the City Council on or before June 30 in accordance with the municipal code.

The City Council may amend the budget by motion during the fiscal year. Only the Council can authorize transfers between funds and approve inter-fund loans. The City Manager is authorized to transfer budgeted amounts within a fund without formal council action or approval. The City Manager is authorized to increase expenditures in relation to revenues in funds receiving assigned revenues without approval by the City Council.

Expenditures may not legally exceed appropriations at the fund level, which is the legal level of control. Supplemental appropriations, which increase appropriations, may be made during the fiscal year. There were no material supplemental appropriations made for the fiscal year ended June 30, 2015. Budget information is presented for the General and budgeted Special Revenue Funds in the fund financial statements. The budget information is presented on a basis consistent with generally accepted accounting principles. Appropriations, except open project appropriations, and unexpended grant appropriations, lapse at the end of each fiscal year.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Reclassifications

Certain amounts have been reclassified to provide for comparable results on a year to year basis.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

2. CASH AND INVESTMENTS

At June 30, 2017, the City's pooled cash and investments, classified by maturity, consisted of the following stated at fair value:

	Maturities (in years)			Deposits	Fair Market Value		
	<1	1 to 3	3 to 5				
<u>Cash equivalents and investments pooled</u>							
Pooled cash, at fair value							
Cash in bank	\$ -	\$ -	\$ -	\$ 10,484,507	\$ 10,484,507		
Petty cash	-	-	-	1,425	1,425		
Total pooled items	-	-	-	10,485,932	10,485,932		
<u>Pooled investments, at fair value</u>							
Interest obligations							
	<u>Par</u>	<u>Rate</u>					
\$ 4,991,000	0.375 - 2.05%	Federal Agency Securities	174,547	3,091,342	2,446,714	-	5,712,603
1,813,000	0.700 - 2.300%	Corporate notes	649,275	1,301,594	306,657	-	2,257,526
3,940,000	0.25 - 2.050%	US Treasury Notes	333,850	1,109,746	1,696,870	-	3,140,466
		Cash equivalent	395,903	-	-	-	395,903
State of California Local Agency Investment Fund			6,258,821	-	-	-	6,258,821
Total pooled investments - interest obligations			7,812,396	5,502,682	4,450,241	-	17,765,319
Total cash equivalents and investments pooled			\$ 7,812,396	\$ 5,502,682	\$ 4,450,241	\$ 10,485,932	\$ 28,251,251
Amounts reported in:							
							\$ 13,822,273
							2,656,087
							11,145,391
							627,500
							\$ 28,251,251

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
U.S. Treasury notes	\$ 3,140,466	2.95
Federal agency securities	5,712,603	2.93
Corporate notes	2,257,526	1.71
Money market funds	395,903	-
State investment pool	6,258,821	0.92
Total fair value	\$ 17,765,319	
Portfolio weighted average maturity		2.13

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

2. CASH AND INVESTMENTS, *continued*

California statutes authorize cities to invest idle or surplus funds in a variety of credit instruments as provided for in the California Government Code, Section 53600, Chapter 4 – Financial Affairs. The table below identifies the investment types that are authorized for the City by the California Government Code (or the City’s investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. The table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code of the City’s investment policy. During the year ended June 30, 2017, the City’s permissible investments included the following instruments:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Bankers' Acceptances	180 days	40%	None
Certificates of Deposits	180 days	20%	None
Negotiable Certificates of Deposit	180 days	30%	None
Commercial Paper	180 days	15%	None
State of California Local Agency Investment Fund (State Pool)	N/A	Unlimited	\$50 Million per entity
Medium Term Notes	5 years	30%	None
Money Market Funds	N/A	Unlimited	None
Passbook Savings and Money Market Accounts (Insured)	None	Unlimited	None
U.S. Treasury Obligations	None	Unlimited	None
U.S. Government Agency Issues	None	Unlimited	None
Repurchase Agreements	30 days	10%	None
Mortgage pass-through and asset backed securities	5 years	20%	None

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City’s investment policy. The table below identifies the investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

2. CASH AND INVESTMENTS, *continued*

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	None	None	None
U.S. Agency Securities	None	None	None
Commercial Paper	270 days	None	None
Money Market Mutual Funds	N/A	None	None
Investment Contracts	None	None	None
Local Agency Investment Fund (State Pool)	N/A	None	None
Certificates of Deposit with Banks and Savings and Loans	None	None	None
Municipal Obligations	None	None	None

Interest rate risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Credit risk – As of June 30, 2017, the City’s investments in money market funds were rated AAA by Standard & Poor’s and Fitch Ratings, and Aaa by Moody’s Investors Service. The State of California Local Agency Investment Fund is not rated.

Concentration of credit risk – The City’s investment policy does not allow for an investment in any one issuer that is in excess of five percent of the government’s total investments. The investments made by the City Treasurer are limited to those allowable under State statutes as incorporated into the City’s Investment Policy, which is accepted annually by the City Council. There were no concentrations in any one issuer for the year.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF) which has invested 2.25% of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as to changes in interest rates.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

2. CASH AND INVESTMENTS, *continued*

Custodial credit risk – deposits. For deposits, this is the risk that, in the event of a bank failure, the City's deposits may not be returned. The City's Investment Policy addresses custodial credit risk, which follows the Government Code.

At June 30, 2017, the carrying amount of the City's deposits was \$7,907,807 and the balances in financial institutions were \$8,040,037. Of the balance in financial institutions, \$250,000 was covered by federal depository insurance and \$7,790,037 was collateralized as required by State law (Government Code Section 53630), by the pledging financial institution with assets held in a common pool for the City and other governmental agencies, but not in the name of the City. As of June 30, 2017, the City's investments were held by the City's custodial agent, but not in the City's name, and were insured up to specified limits by the Securities Investor Protection Corporation (SIPC) and supplemental private insurance up to a limit of \$150 million.

Custodial credit risk – investments. For investments, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside counterparty. For the investments maintained by the City, no security was uninsured or unregistered or held by a brokerage firm which is also the counterparty for the security.

Investment in LAIF

The City is a voluntary participant in California Local Agency Investment Fund (LAIF), which is regulated by California Government Code Section under the oversight of the Local Investment Advisory Board (Board). The Board consists of five members as designated by state statute, and is chaired by the State Treasurer who is responsible for day to day administration of LAIF. The total amount invested by all public agencies as of June 30, 2017 was \$22,812,817,838 billion of which the City had a balance of \$6,265,458. LAIF is part of the California Pooled Money Investment Account (PMIA), which at June 30, 2017 has a portfolio with market valuation of \$77,539,216 thousand. Of the total invested, 97.75% was invested in non-derivative financial products and 2.25% in structured notes and asset-backed securities. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2017:

	<u>Receivables</u>	<u>Allowance</u>	<u>Net</u>
Governmental Activities			
Accounts receivable	\$ 264,618	\$ -	\$ 264,618
Intergovernmental	2,900,178	-	2,900,178
Interest	14,429	-	14,429
Taxes	532,011	-	532,011
	<u>\$ 3,711,236</u>	<u>\$ -</u>	<u>\$ 3,711,236</u>
Business-type activities			
Accounts receivable	\$ 1,298,752	\$ (64,600)	\$ 1,234,152
Intergovernmental	91,483	-	91,483
	<u>\$ 1,390,235</u>	<u>\$ (64,600)</u>	<u>\$ 1,325,635</u>

These amounts resulted in the following concentrations in receivables:

Other Governments	73.68%
Individuals/Business	26.32%

Amounts do not indicate a significant concentration (greater than 25%) with any single individual, business or agency.

4. LOANS AND NOTES RECEIVABLE

Through the City's various housing rehabilitation funds and first-time home buyer's funds, the City has loaned funds to qualifying individuals and businesses. Interest rates vary depending on the terms of the loan. Interest is accrued on the loans that bear interest.

Loans and notes receivable for the year ended June 30, 2017, consisted of the following:

	<u>Beginning</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>June 30, 2017</u>
Community Development Block Grant	\$ 7,414,402	\$ 522,518	\$ -	\$ 7,936,920
HOME loans	11,487,171	-	(745,448)	10,741,723
Basic business revolving loans	89,185	-	(6,256)	82,929
Mobile home park low income housing assistance	1,721,299	-	-	1,721,299
First time home buyers	163,203	-	(36,692)	126,511
Rehabilitation loans	880,000	-	-	880,000
Housing successor loans	2,359,066	-	(183)	2,358,883
Total loans/notes receivable	<u>\$ 24,114,326</u>	<u>\$ 522,518</u>	<u>\$ (788,579)</u>	<u>\$ 23,848,265</u>

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

4. LOANS AND NOTES RECEIVABLE, *continued*

The following is a summary of the loans and notes receivable outstanding as of June 30, 2017:

Community Development Block Grant – The City participates in a CDBG Revolving loan program. The program is federally funded and provides housing rehabilitation loans to eligible applicants. The City makes loans to resident homeowners who qualify as low income, some of which are deferred and are not repaid until the title to property changes. The balance of these loans at June 30, 2017, was \$7,936,920.

HOME Loans – The City participates in a HOME Loan program. The program is federally funded and provides loans for first-time homebuyers to eligible participants. The City makes loans available to resident homeowners who qualify as low income. These loans are deferred and the City maintains an equity sharing agreement with the participant. The balance of these loans at June 30, 2017, was \$10,741,723.

Basic Business Revolving Loans – These loans are made from unrestricted program income for the purpose of assisting local business with economic development loans for specifically identified purposes. The balance of these loans at June 30, 2017, was \$82,929.

Mobile Home Park Low Income Housing Assistance – The City began a program of housing assistance to help low and moderate income individuals with purchases of a mobile home. Qualifying individuals receive down payment assistance with the loan deferred as long as it is an owner-occupied dwelling. Interest and/or principal may be waived if certain terms are met by the borrower. The balance of these loans at June 30, 2017, was \$1,721,299.

First-Time Home Buyers – The City maintains loans receivable for Low and Moderate Income Housing. The notes receivable principal balances are recorded in the fund-based statements as loans receivable. Interest on certain loans may be waived by the City if the loan remains outstanding for the full term; therefore, interest income is recorded when received. The balance of these loans at June 30, 2017, was \$126,511.

Rehabilitation Loan – The City loaned \$880,000 to the Humboldt Bay Housing and Development Corporation for Low and Moderate Income Housing for Janes Creek Meadows. Land purchased by the City was deposited into the Community Land Trust for development purposes. The notes receivable principal balances are recorded in the fund-based statements as loans receivable. Upon development, the principal and interest on the loan may be waived by the City if the loan remains outstanding for the full term and the development is accepted by the City; therefore, interest income is recorded when received. The balance of these loans at June 30, 2017, was \$880,000.

Housing Successor Loans – In its April 2014 Asset Transfer Review Report (“SCO Review Report”), the State Controller’s Office determined that the former Arcata Community Development Agency had transferred \$30,586,012 in cash, investment funds and other assets to the City of Arcata and ordered the City to transfer \$8,751,178 of these assets to the Successor Agency.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

4. LOANS AND NOTES RECEIVABLE, *continued*

In order to comply with the SCO Review Report, the Arcata City Council approved the transfer of non-housing real property (valued at \$1,320,297) and non-housing note receivable (\$294,226) to the Successor Agency. On August 20, 2014, the remaining cash and investments on hand, which totaled \$3,881,539, was also transferred to the Successor Agency. The City of Arcata entered into a promissory note in favor of the Successor Agency for the remaining balance of \$3,255,106. At June 30, 2017, the balance of this promissory note was \$3,358,883.

5. CAPITAL ASSETS

Governmental capital asset activity for the year ended June 30, 2017, was as follows:

	Balance June 30, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
<u>Governmental activities:</u>					
Nondepreciable assets:					
Land	\$ 16,213,181	\$ 65,548	\$ -	\$ -	\$ 16,278,729
Undergrounding facilities	90,025	-	-	-	90,025
Total nondepreciable assets	16,303,206	65,548	-	-	16,368,754
Depreciable assets:					
Buildings and structures	12,197,676	-	-	-	12,197,676
Furniture and equipment	5,235,107	223,682	-	-	5,458,789
Improvements	6,354,001	1,909,658	-	-	8,263,659
Infrastructure	44,850,104	-	-	-	44,850,104
Vehicles	4,139,608	191,056	-	-	4,330,664
Total depreciable assets	72,776,496	2,324,396	-	-	75,100,892
Total	89,079,702	2,389,944	-	-	91,469,646
Accumulated depreciation:					
Buildings and structures	(6,723,266)	(270,189)	-	-	(6,993,455)
Furniture and equipment	(4,541,276)	(171,388)	-	-	(4,712,664)
Improvements	(3,058,128)	(182,003)	-	-	(3,240,131)
Infrastructure	(39,406,224)	(653,978)	-	-	(40,060,202)
Vehicles	(3,332,585)	(262,029)	-	-	(3,594,614)
Total accumulated depreciation	(57,061,479)	(1,539,587)	-	-	(58,601,066)
Net depreciable assets	15,715,017	784,809	-	-	16,499,826
Total net capital assets	\$ 32,018,223	\$ 850,357	\$ -	\$ -	\$ 32,868,580

Depreciation expense for capital assets was charged to functions as follows:

General government	\$ 158,288
Public safety	106,750
Public works	805,288
Community development	62,496
Parks and recreation	92,235
Central Garage	301,752
Information Technology	12,778
	<u>\$ 1,539,587</u>

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For the year ended June 30, 2017

5. CAPITAL ASSETS, *continued*

Business-type capital asset activity for the year ended June 30, 2017, was as follows:

	Balance June 30, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
<u>Business-type activities</u>					
Nondepreciable assets:					
Land	\$ 7,396,179	\$ 173,400	\$ -	\$ -	\$ 7,569,579
Total nondepreciable assets	<u>7,396,179</u>	<u>173,400</u>	<u>-</u>	<u>-</u>	<u>7,569,579</u>
Depreciable assets:					
Underground facilities	8,559,327	-	-	-	8,559,327
Buildings and structures	9,258,415	-	-	-	9,258,415
Furniture and equipment	2,971,916	25,461	-	-	2,997,377
Other improvements	7,903,809	133,157	-	-	8,036,966
Vehicles	2,776,851	-	-	-	2,776,851
Total depreciable assets	<u>31,470,318</u>	<u>158,618</u>	<u>-</u>	<u>-</u>	<u>31,628,936</u>
Total	<u>38,866,497</u>	<u>332,018</u>	<u>-</u>	<u>-</u>	<u>39,198,515</u>
Accumulated depreciation:					
Undergrounding facilities	(4,538,532)	(172,992)	-	-	(4,711,524)
Buildings and structures	(6,558,920)	(205,926)	-	-	(6,764,846)
Furniture and equipment	(2,771,122)	(71,502)	-	-	(2,842,624)
Other improvements	(3,159,259)	(163,810)	-	-	(3,323,069)
Vehicles	(1,256,421)	(179,512)	-	-	(1,435,933)
Total accumulated depreciation	<u>(18,284,254)</u>	<u>(793,742)</u>	<u>-</u>	<u>-</u>	<u>(19,077,996)</u>
Net depreciable assets	<u>13,186,064</u>	<u>(635,124)</u>	<u>-</u>	<u>-</u>	<u>12,550,940</u>
Total net capital assets	<u>\$ 20,582,243</u>	<u>\$ (461,724)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,120,519</u>

Depreciation expense for capital assets was charged to functions as follows:

Water	\$ 156,806
Wastewater	377,678
Transit	217,784
Solid Waste	219
Stormwater	41,256
	<u>\$ 793,743</u>

City of Arcata, California
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For the year ended June 30, 2017

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following at June 30, 2017:

	Governmental Activities	Business-type Activities	Fiduciary Activities	Total
Accounts payable	\$ 1,887,206	\$ 312,456	\$ 1,456	\$ 2,201,118
Accrued payroll and related liabilities	657,470	143,855	-	801,325
Total	<u>\$ 2,544,676</u>	<u>\$ 456,311</u>	<u>\$ 1,456</u>	<u>\$ 3,002,443</u>

These amounts resulted in the following concentrations in payables:

Vendors	73%
Employees	27%

Amounts do not indicate a significant concentration (greater than 25%) with any single vendor or employee.

7. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Retirements	Balance June 30, 2017	Due Within One Year
Governmental Activities:					
Capital Lease Obligations	\$ 43,933	\$ -	\$ (14,005)	\$ 29,928	\$ 14,635
2015 Refunding of 2008 Lease					
Governmental share	950,250	-	(33,950)	916,300	35,350
CalPERS UAL Debt	3,226,000	-	(515,000)	2,711,000	517,000
Total governmental debt	<u>\$ 4,220,183</u>	<u>\$ -</u>	<u>\$ (562,955)</u>	<u>\$ 3,657,228</u>	<u>\$ 566,985</u>
Compensated absences	441,836	19,235	(766)	460,305	115,076
Net OPEB obligation	1,504,178	274,175	-	1,778,353	-
Total governmental activities	<u>\$ 2,681,653</u>	<u>\$ 293,410</u>	<u>\$ (563,721)</u>	<u>\$ 5,895,886</u>	<u>\$ 682,061</u>
Business-type activities					
2015 Refunding of 2008 Loan	1,164,000	-	(155,000)	1,009,000	159,000
Water Enterprise Share	1,764,750	-	(63,050)	1,701,700	65,650
Total business-type activity debt	<u>3,167,950</u>	<u>-</u>	<u>(218,050)</u>	<u>2,710,700</u>	<u>224,650</u>
Compensated absences	156,382	3,536	(4,366)	155,552	38,888
Total business-type activities	<u>\$ 3,317,687</u>	<u>\$ 3,536</u>	<u>\$ (222,416)</u>	<u>\$ 2,866,252</u>	<u>\$ 263,538</u>
Fiduciary Activities:					
2015 Tax Allocation Refunding Bonds	\$ 6,143,974	\$ -	\$ (361,612)	\$ 5,782,362	\$ 374,471
Total fiduciary activity debt	<u>\$ 6,655,926</u>	<u>\$ -</u>	<u>\$ (361,612)</u>	<u>\$ 5,782,362</u>	<u>\$ 374,471</u>

City of Arcata, California
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7. LONG-TERM LIABILITIES, *continued*

Governmental Activities

Capital Lease Obligations

The City entered into a lease/purchase agreement to purchase a new telephone system. The lease obligation is payable through fiscal year 2019, at which time the buyout will be \$1. The lease obligation, proceeds, and the related asset was recorded in the internal service fund. The principal balance of the capital lease as of June 30, 2017, was \$29,928.

2015 Refunding of 2008 Lease

On June 24, 2015, the City of Arcata obtained a \$1,050,000 loan to refund and defease the 2008 lease from Municipal Finance Corporation which was used to finance city hall and water system improvements. The loan is distributed among the general fund (35%) and the water enterprise fund (65%). The loan bears an interest of 4.15% per annum and are payable on January 1 and July 1 of each year the bonds are outstanding beginning July 1, 2015. Principal is repaid annually beginning January 1, 2025. The loan will mature on January 1, 2035.

CalPERS UAL Debt

In fiscal year 2016, the City authorized and directed the execution and delivery of its City of Arcata, Series 2015 Refunding Lease Obligation with Umpqua Bank in the amount of \$3,226,000 to refinance a portion of the City's unfunded accrued actuarial liability with California Public Employee's Retirement System (CalPERS). Under the City's contract with CalPERS the City is obligated to make certain payments to CalPERS in respect of retired public safety and miscellaneous employees under the Side Fund program of CalPERS which amortizes such obligations over a fixed period of time. The current annual interest rate imputed by PERS to side funds is 7.5%. Debt service will be funded from the revenue of the general fund. The interest rate is 3.75%. The principal installments and interest are payable annually beginning on December 1, 2016 and the final payment will be made on June 1, 2029.

Business-type Activities

2015 Refunding of 2008 Loan

On June 24, 2015, the City obtained \$1,307,000 loan to defease the 2008 Municipal Loan. The loan bears an interest of 2.37% per annum and are payable on June 1 and December 1 of each year beginning December 1, 2015. Principal repayment is payable annually on December 1 beginning December 1, 2015. The loan will mature on December 1, 2022.

Fiduciary Activities

2015 Tax Allocation Refunding Bond

On January 28, 2015, the Community Development Agency of the City of Arcata issued the 2015 Tax Allocation Refunding Bonds in the amount of \$6,655,926. The proceeds of the Bonds was used to defease the 1994 and 2003 loans from the Arcata Joint Powers Financing Authority. The bonds bear an interest rate of 3.35% per annum. Interests and principal are payable annually on February 1 and August 1 beginning on August 1, 2015. The bonds will mature on August 1, 2031.

City of Arcata, California
Basic Financial Statements
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7. LONG-TERM LIABILITIES, *continued*

Compensated Absences

The City records employee absences, such as vacation and holidays, for which it is expected that employees will be paid as compensated absences. Compensated absences had a balance of \$615,857 at June 30, 2017, of that amount \$153,964 is expected to be paid within a year.

Net OPEB Obligation

A net OPEB obligation is the cumulative differences between annual OPEB cost and an employer's contributions to a plan. At June 30, 2017, the City had a Net OPEB Obligation of \$1,775,353. See Note 12 for further discussion on OPEB.

City of Arcata, California
Basic Financial Statements
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7. LONG-TERM LIABILITIES, *continued*

Debt Service

Future debt service for Governmental Activities at June 30, 2017, is as follows for all debt except compensated absences and claims liabilities:

Year Ending June 30,	Governmental Activities					
	Capital Lease Obligations		2015 Refunding of 2008 Lease Governmental Share		CalPERS UAL Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	14,635	1,347	35,350	38,026	517,000	96,863
2019	15,293	688	36,750	36,560	414,000	78,431
2020	-	-	38,150	35,034	301,000	63,956
2021	-	-	39,900	33,451	279,000	52,875
2022	-	-	41,300	31,795	255,000	42,638
2023 - 2027	-	-	234,500	131,757	849,000	93,938
2028 - 2032	-	-	225,400	67,846	96,000	3,750
2033 - 2036	-	-	264,950	28,048	-	-
Total	\$ 29,928	\$ 2,035	\$ 916,300	\$ 402,517	\$ 2,711,000	\$ 432,451
Due within one year	\$ 14,635	\$ 1,347	\$ 35,350	\$ 38,026	\$ 517,000	\$ 96,863
Due after one year	15,293	688	880,950	364,491	2,194,000	335,588
Total	\$ 29,928	\$ 2,035	\$ 916,300	\$ 402,517	\$ 2,711,000	\$ 432,451
Year Ending June 30,	Total					
	Principal	Interest				
2018	566,985	136,236				
2019	466,043	115,679				
2020	339,150	98,990				
2021	318,900	86,326				
2022	296,300	74,433				
2023 - 2027	1,083,500	225,695				
2028 - 2032	321,400	71,596				
2033 - 2036	264,950	28,048				
Total	\$ 3,657,228	\$ 837,003				
Due within one year	\$ 566,985	\$ 136,236				
Due after one year	3,090,243	700,767				
Total	\$ 3,657,228	\$ 837,003				

City of Arcata, California
Basic Financial Statements
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7. LONG-TERM LIABILITIES, continued

Future debt service for Business-type Activities at June 30, 2017, is as follows:

Year Ending June 30,	Business Type Activities					
	2015 Refunding of 2008 Loan		2015 Refunding of 2008 Lease Water Enterprise share		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	159,000	22,029	65,650	70,621	224,650	92,650
2019	162,000	18,225	68,250	67,896	230,250	86,121
2020	166,000	14,339	70,850	65,064	236,850	79,403
2021	170,000	10,357	74,100	62,123	244,100	72,480
2022	174,000	6,281	76,700	59,048	250,700	65,329
2023 - 2027	178,000	2,109	435,500	244,690	613,500	246,799
2028 - 2032	-	-	534,300	146,420	534,300	146,420
2033 - 2037	-	-	376,350	31,669	376,350	31,669
Total	\$ 1,009,000	\$ 73,340	\$ 1,701,700	\$ 747,531	\$ 2,710,700	\$ 820,871
Due within one year	\$ 159,000	\$ 22,029	\$ 65,650	\$ 70,621	\$ 224,650	\$ 92,650
Due after one year	850,000	51,311	1,636,050	676,910	2,486,050	728,221
Total	\$ 1,009,000	\$ 73,340	\$ 1,701,700	\$ 747,531	\$ 2,710,700	\$ 820,871

Future debt service for all debt, except compensated absences and claims liabilities, of Fiduciary Activities at June 30, 2017, is as follows

Year Ending June 30,	Fiduciary Activities	
	Principal	Interest
2018	374,471	190,599
2019	386,483	177,949
2020	340,144	164,904
2021	215,999	154,398
2022	144,103	148,373
2023-2027	2,023,674	514,618
2028-2032	2,297,488	268,037
2033-2036	-	-
Total	\$ 5,782,362	\$ 1,618,878
Due within one year	\$ 374,471	\$ 190,599
Due after one year	5,407,891	1,428,279
Total	\$ 5,782,362	\$ 1,618,878

City of Arcata, California
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8. NET POSITION/ FUND BALANCES

Net position

	Governmental Activities	Business-type Activities	Total
Net investment in capital assets	\$ 29,241,280	\$ 17,634,469	\$ 46,875,749
Restricted	1,541,432	-	1,541,432
Unrestricted	23,998,826	7,615,726	31,614,552
Total	<u>\$ 54,781,538</u>	<u>\$ 25,250,195</u>	<u>\$ 80,031,733</u>

- Restricted balances are for the same purposes as fund balance restrictions because external restriction requirements are the same. See descriptions of the restrictions below.

Fund Balance

Nonspendable and Restricted fund balance consisted of the following at June 30, 2017:

Nonspendable:	
Inventory	\$ 112,099
Total Nonspendable	<u>\$ 112,099</u>
Restricted:	
Governmental Funds:	
CDBG Housing	\$ 228,502
Housing Revolving	721,364
Traffic Safety	90,031
Gas Tax	439,725
Federal Grants	61,810
Total Restricted	<u>\$ 1,541,432</u>

The following describe the purpose of each nonspendable, restricted, and committed category used by the City:

Nonspendable

- **Inventory** – represents nonspendable amounts classified as inventory.

Restricted

- **CDBG Housing and Housing Revolving** – represents amounts restricted for the City’s HOME revolving loan program and CDBG housing activities as these programs are supported by specific grants requiring the restriction.

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8. NET POSITION/ FUND BALANCES, continued

- **Traffic Safety** – represents restricted revenue received for the City’s programs associated with the maintenance of equipment and supplies for traffic law enforcement and traffic accident prevention as provided by Office of Traffic Safety grant provisions.
- **Gas Tax** – represents amounts restricted for street maintenance purposes as defined in Sections 2105, 2106, 2107 and 2107.5 of the Streets and Highway Code.
- **Federal Grants** – represents restricted amounts received from Federal Grants for various city programs.

Fund Balance Deficits

Deficit fund balances consisted of the following:

	<u>As of June 30, 2017</u>
Nonmajor Special Revenue Funds:	
Federal Grant Funds:	
ISTEA	\$ 137,316
Total Nonmajor Funds	<u>137,316</u>
Total Fund Balance Deficits	<u>\$ 137,316</u>

The above deficit fund balances have occurred due to the spending of funds prior to the receipt of revenues (cost reimbursements). The Fund balances will be restored in the near future as revenues are received.

Excess of Expenditures and Transfers over Appropriations:

Expenditures and transfers exceeded appropriations for the year ended June 30, 2017, for the following funds:

<u>Fund</u>	<u>Final Appropriations</u>	<u>Expenditures and Transfers</u>	<u>Excess</u>
<u>Major Funds</u>			
<u>Special Revenue Funds</u>			
Basic Business Loan Revolving	\$ 3,035	\$ 3,276	\$ (241)
STIP	-	173,107	(173,107)
<u>Nonmajor Funds</u>			
<u>Special Revenue Funds:</u>			
COPS Grant	100,000	151,744	(51,744)

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9. INTERFUND TRANSACTIONS

Due to and from balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Due to and due from other funds consisted of the following as of June 30, 2017:

	Due from Other Funds	Due to Other Funds
<u>Governmental Funds</u>		
Major Funds:		
General Fund	\$ 488,049	\$ -
Basic Business Loan Revolving	11,000	-
Total Major Funds	<u>499,049</u>	<u>-</u>
Nonmajor Funds:		
Public Improvement Program	-	11,000
HUD Block Grant	-	334,272
ISTEA	-	153,777
Total Nonmajor Funds	<u>-</u>	<u>499,049</u>
Total Governmental Funds	<u>499,049</u>	<u>499,049</u>
Total Transfers	<u>\$ 499,049</u>	<u>\$ 499,049</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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9. INTERFUND TRANSACTIONS, *continued*

Transfers consisted of the following at June 30, 2017:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental Funds</u>		
Major Funds:		
General Fund	\$ 14,544	\$ 970,833
Housing Revolving	-	11,397
STIP	180,464	-
Total Major Funds	<u>195,008</u>	<u>982,230</u>
Nonmajor Funds:		
Special Revenue Funds		
Traffic Safety	122,194	-
Industrial Park	-	2,500
Public Improvement Program	1,500	-
2107 & 2107.5 Gas Tax Funds	587,549	-
ISTEA	-	25,000
FEMA/OES	-	8,090
HOME Grants	11,397	-
Janes Creek Meadows	-	15,000
Windsong	-	15,000
Capital Projects Fund		
City Capital Projects Fund	-	-
Total Nonmajor Funds	<u>722,640</u>	<u>65,590</u>
Total Governmental Funds	<u>917,648</u>	<u>1,047,820</u>
<u>Proprietary Funds</u>		
Water	-	60,000
Wastewater	-	60,000
Transit	-	36,000
Solid waste	-	35,000
Stormwater	321,172	-
Total Proprietary Funds	<u>321,172</u>	<u>191,000</u>
Total	<u>\$ 1,238,820</u>	<u>\$ 1,238,820</u>

The transfers out from the enterprise funds were primarily incurred to support street maintenance activities due to wear and tear on streets due to utility infrastructure maintenance and repairs, and from heavy trucks and buses.

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10. RISK MANAGEMENT

The City is an associate member of the Redwood Empire Municipal Insurance Fund (REMIF), a public entity pool comprised of fifteen member cities (seven voting and eight associate members) and three non-member cities. REMIF is organized under a Joint Powers Agreement pursuant to the California Government Code. The purpose of REMIF is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.

The following is a summary of the financial statements of REMIF as of and for the fiscal year ended June 30, 2016, the most recent period available:

Total assets	\$ 18,982,986
Total deferred outflows of resources	515,364
Total liabilities	(21,934,697)
Total Deferred inflows of resources	(188,410)
Members' equity	<u>\$ (2,624,757)</u>
Total revenue	\$ 23,921,893
Total expense	(23,859,933)
Operating income (loss)	<u>\$ 61,960</u>

For each of its insurance programs, REMIF has a multilevel risk sharing arrangement. Initially, each individual charter or associate member city participating in a program assumes its own losses up to a predetermined deductible level. Losses and claims in excess of the deductibles and within REMIF's stated retention limits are paid out of a central pool maintained by REMIF. This central pool is funded by all of the cities participating in that program through premium assessments. REMIF purchases excess loss insurance policies (reinsurance) to provide coverage for losses and claims in excess of REMIF's stated retention limits up to specified amounts. Losses and claims ceded to reinsurers would represent a contingent liability to REMIF if the reinsurers were unable to meet their existing obligations under the reinsurance agreements. Losses and claims which surpass the limits of the excess of loss insurance policies are the responsibility of the individual city in which the loss or claim originates.

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10. RISK MANAGEMENT, *Continued*

The City of Arcata participates in the following REMIF programs:

General Liability Insurance

Annual premiums are paid by the member cities and are adjusted retrospectively to cover costs. The City of Arcata self-insures for the first \$5,000 of each loss and pays 100% of all losses incurred under \$5,000. The City does not share or pay for losses of other cities under \$5,000, depending on the entity's deductible amount. Participating cities then share in the next \$5,000 to \$500,000 per loss occurrence. Specific coverage includes comprehensive and general automotive liability, personal injury, contractual liability, professional liability, and certain other coverage. REMIF is a member of the California Joint Powers Risk Management Authority, which provides REMIF with an additional \$4,500,000 liability insurance coverage over and above REMIF retention level of \$500,000.

Worker's Compensation

Periodic deposits are paid by member cities and are adjusted retrospectively to cover costs. The City of Arcata is self-insured for the first \$5,000 of each loss and pays 100% of all losses incurred under \$5,000. The City does not share or pay for losses of other cities under \$5,000.

Losses of \$10,000 to \$300,000 are prorated among all participating cities. Losses in excess of \$300,000 are covered by excess insurance purchased by participating cities, as part of the pool, to State statutory limits.

Property Insurance

The City participates in REMIF's property insurance program. The annual deposits paid by participating member cities are based upon deductibility levels and are not subject to retroactive adjustments. The City of Arcata has a deductible level of \$10,000 and a coverage limit of \$290,000,000 declared value.

11. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

General Information about the Pension Plans

Plan Descriptions - All qualified permanent and probationary employees are eligible to participate in the City's separate Safety (police and fire) and Miscellaneous (all other) Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

City of Arcata, California
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11. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS), *continued*

Benefits Provided - CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Plans' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	Miscellaneous	Miscellaneous Second Tier
	Prior to January 1, 2013	Prior to January 1, 2013
Hire date		
Benefit formula	2.7% @ 55	2% @ 55
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	50 - 63
Monthly benefits, as a % of eligible compensation	2% - 7%	1.4% - 2.4%
Required employee contribution rates	8%	7%
Required employer contribution rates	10.958%	8.003%
	PEPRA Miscellaneous	Safety Plan
	On or after January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	2% @ 62	3% @ 50
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	52 - 67	50
Monthly benefits, as a % of eligible compensation	1.0% to 2.5%	3%
Required employee contribution rates	6.25%	9.0%
Required employer contribution rates	2.37%	18.524%
	Safety Second Tier	PEPRA Safety Police
	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
Benefit formula	3% @ 55	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 55	50 - 57
Monthly benefits, as a % of eligible compensation	2.4% - 3.0%	2.0% to 2.7%
Required employee contribution rates	9%	11.5%
Required employer contribution rates	15.627%	11.153%

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11. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS), *continued*

Contributions - Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2017, the contributions recognized as part of pension expense for each Plan were as follows:

	Miscellaneous	Miscellaneous Second Tier	PEPRA Miscellaneous Plan	Safety Plan	Safety Second Tier Plan	PEPRA Safety Police Plan
Contributions - employer	\$ 366,507	\$ 25,523	\$ 68,158	\$ 250,081	\$ 39,302	\$ 26,980
Contributions - employee (paid employer)	\$ 292,209	\$ 28,694	\$ 78,000	\$ 142,802	\$ 27,373	\$ 33,313

Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2017, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 11,971,085
Safety	6,307,600
Total Net Pension Liability	\$ 18,278,685

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2016, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 rolled forward to June 30, 2016 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

11. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS), *continued*

The City's proportionate share of the net pension liability for each Plan as of June 30, 2016 and 2015 was as follows:

	<u>Miscellaneous</u>	<u>Safey</u>
Proportion - June 30, 2015	0.42833%	0.14595%
Proportion - June 30, 2016	<u>0.34460%</u>	<u>0.12179%</u>
Change - Increase (Decrease)	-0.08373%	-0.02416%

For the year ended June 30, 2016, the City recognized pension credit of \$335,332. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experiences	\$ -	\$ 18,651.00
Changes in assumptions	-	711,225
Net differences between projected and actual earnings on plan investments	3,629,802	-
Differences between the employer's contributions and the employer's proportionate share of the contributions	152,136	-
Adustments due to differences in proportion	5,761	2,376,810
Pension contributions subsequent to measurement date	<u>1,378,842</u>	<u>-</u>
Total	<u>\$ 5,166,541</u>	<u>\$ 3,106,686</u>

\$1,378,842 reported as deferred outflows of resources related to contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended 30-Jun</u>	
2018	\$ (701,363)
2019	622,483
2020	1,063,102
2021	941,756
2022	-
Thereafter	-

City of Arcata, California
Basic Financial Statements
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11. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS), *continued*

Actuarial Assumptions -The total pension liabilities in the June 30, 2014 actuarial valuations were determined using the following actuarial assumptions:

	Miscellaneous	Miscellaneous Second Tier	PEPRA Miscellaneous	Safety	Safety Second Tier	PEPRA Safety Police
Valuation Date	30-Jun-15	30-Jun-15	30-Jun-15	30-Jun-15	30-Jun-15	30-Jun-15
Measurement	30-Jun-16	30-Jun-16	30-Jun-16	30-Jun-16	30-Jun-16	30-Jun-16
Actuarial Cost Method	Entry-Age Normal Cost Method					
Actuarial Assumptions:						
Discount Rate	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%
Inflation	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary Increase	3.3% - 14.2% (1)	3.3% - 14.2% (1)	3.3% - 14.2% (1)	3.3% - 14.2% (1)	3.3% - 14.2% (1)	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)	7.5% (2)	7.5% (2)	7.5% (2)	7.5% (2)	7.5% (2)
Mortality	Derived using CalPERS' Membership Data for all Funds					

- (1) Depending on age, service, and type of employment
- (2) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2014 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate -The discount rate used to measure the total pension liability was 7.65% for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for the plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.65 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as we have changed our methodology.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

11. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS), *continued*

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	47%	5.25%	5.71%
Global Fixed Income	19%	0.99%	2.43%
Inflation Sensitive	6%	0.45%	3.36%
Private Equity	12%	6.83%	6.95%
Real Estate	11%	4.50%	5.13%
Infrastructure and Forestland	3%	4.50%	5.09%
Liquidity	2%	-0.55%	-1.05%
Total	100%		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

City of Arcata, California
Basic Financial Statements
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11. PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS), *continued*

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate -

The following presents the City's proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease (6.65%)	Current Discount Rate (7.65%)	1% Increase (8.65%)
Net Pension Liability as of June 30, 2016			
Miscellaneous	\$ 18,375,140	\$ 11,971,084	\$ 6,678,450
Safety	9,686,066	6,307,600	3,534,227
Total	<u>\$ 28,061,206</u>	<u>\$ 18,278,684</u>	<u>\$ 10,212,677</u>

Pension Plan Fiduciary Net Position - Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

12. OTHER POST EMPLOYMENT BENEFITS

Plan Description

The City provides certain health insurance benefits to retired employees in accordance with memorandums of understanding with each employee group as follows:

For employees who retire from the City of Arcata after at least ten (10) years of service with the City and who continue health insurance through a City-sponsored health insurance plan, the City will contribute two percent (2%) of the health insurance premium for each year of service, as an employee with the City, rounded to the nearest whole year. For employees with at least twenty (20) years of service for the City who qualify for this benefit, the rate of the City's contribution will be three percent (3%) of the health insurance premium. Such contributions will not continue past Medicare eligibility.

Funding Policy

The City's policy is to contribute an amount sufficient to pay the current year's premium. For fiscal year 2016-17, the City contributed \$230,408 which covered current premiums, but did not include any additional prefunding of benefits. Currently, there are 15 retirees who are receiving benefits.

City of Arcata, California
Basic Financial Statements
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12. OTHER POST EMPLOYMENT BENEFITS, *continued*

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), and an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

Annual required contribution	\$ 502,267
Interest on net OPEB obligation	67,688
Adjustment to annual required contribution	<u>(68,372)</u>
Annual OPEB cost / expense	501,583
Contributions made	(230,408)
Benefit payments made outside of trust	<u>-</u>
Increase in net OPEB obligation	271,175
Net OPEB obligation - beginning of year	<u>1,504,178</u>
Net OPEB obligation - end of year	<u><u>\$ 1,775,353</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2017 and the two preceding fiscal years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2015	443,893	67%	1,224,545
6/30/2016	464,978	44%	1,504,178
6/30/2017	501,583	46%	1,775,353

Funded Status and Funding Progress.

The funded status of the Plan as of July 1, 2016, the Plan's most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$ 4,902,166
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	\$ 4,902,166
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan participants)	\$ 8,496,641
UAAL as a percentage of covered payroll	58%

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

12. OTHER POST EMPLOYMENT BENEFITS, Continued

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan participants) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan participants to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2016 actuarial valuation, the entry age normal cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return, which is the expected long-term investment returns on plan assets, a projected salary increase assumption rate of 2.75 percent, and an annual healthcare cost trend rate of 4 percent. The actuarial value of assets is not applicable (no assets as of the initial valuation date). The UAAL is being amortized as a flat percentage of covered payroll over thirty years. The remaining amortization period at July 1, 2016 was 22years.

13. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY

On December 29, 2011, the California Supreme Court upheld Assembly Bill 1X 26 (“the Bill”) that provides for the dissolution of all redevelopment agencies in the State of California. This action impacted the reporting entity of the City of Arcata that previously had reported a redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. On January 12, 2015, the City Council elected to become the Successor Agency for the former redevelopment agency in accordance with the Bill as part of City resolution number 112-10.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

13. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, Continued

After enactment of the law on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on this issue is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably to the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012. Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City included in the fund financial statements as Former Redevelopment Agency Special Revenue Fund and Low/Moderate Income Housing Fund.

After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City. The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary loss (or gain) in the governmental fund financial statements. The receipt of these assets and liabilities as of January 31, 2012 was reported in the private-purpose trust fund as an extraordinary gain (or loss).

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

13. SUCCESSOR AGENCY TRUST FOR ASSETS OF FORMER REDEVELOPMENT AGENCY, Continued

Long-term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2017:

Trust Activities:	Balance	Additions	Retirements	Balance	Due Within
	July 1, 2016			June 30, 2017	One Year
2015 Tax Allocation Refunding Bonds	6,143,974	-	(361,612)	5,782,362	374,471
Total trust fund debt	\$ 6,143,974	\$ -	\$ (361,612)	\$ 5,782,362	\$ 374,471

2015 Tax Allocation Refunding Bonds

On January 28, 2015, the Community Development Agency issued \$6,655,926 of Tax Allocation Refunding Bonds for the purpose of defeasing 1994 and 2003 Loans from the Arcata Joint Powers Financing Authority.

The 2015 Tax Allocation Refunding Bonds bear interest rates of 3.35 percent per annum. Principal and interest are payable on each August 1 and February 1, on and after August 1, 2015 through August 1, 2031. The bonds are subject to optional early redemption on or after February 1, 2015, from any available funds with premium as specified in the bond documents.

Future debt service for Fiduciary Activities at June 30, 2017, is as follows

Year Ending June 30,	Fiduciary Activities	
	Principal	Interest
2018	374,471	190,599
2019	386,483	177,949
2020	340,144	164,904
2021	215,999	154,398
2022	144,103	148,373
2023-2027	2,023,674	514,618
2028-2032	2,297,488	268,037
2033-2036	-	-
Total	\$ 5,782,362	\$ 1,618,878
Due within one year	\$ 374,471	\$ 190,599
Due after one year	5,407,891	1,428,279
Total	\$ 5,782,362	\$ 1,618,878

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

14. COMMITMENTS AND CONTINGENCIES

Litigation

The City is involved in litigation incurred in the normal course of conducting City business. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Grants and Allocations

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

Commitments

The City had no significant unexpended contractual commitments as of June 30, 2017.

15. NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*". The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces Statements No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans", as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement 43, and Statement No. 50, Pension Disclosures. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2017. The City will implement this Statement in fiscal year ending June 30, 2018.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

15. NEW ACCOUNTING PRONOUNCEMENTS, CONTINUED

The GASB has issued Statement No. 75, “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*”. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 45, “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*”, as amended, and No. 57, “*OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*”, for OPEB. Statement No. 74, “*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*”, establishes new accounting and financial reporting requirements for OPEB plans. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2018. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2018.

The GASB has issued Statement No. 77, “*Tax Abatement Disclosures*”. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government’s current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government’s financial resources come from and how it uses them, and (4) a government’s financial position and economic condition and how they have changed over time. The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. The City will implement this statement, as applicable, to its financial statements for the year ending June 30, 2018.

The GASB has issued Statement No. 78, “*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*.” The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2016.

The GASB has issued Statement No. 80, “*Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*.” The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2017.

City of Arcata, California
Basic Financial Statements
For the year ended June 30, 2017

15. NEW ACCOUNTING PRONOUNCEMENTS, CONTINUED

The GASB has issued Statement No. 81, "*Irrevocable Split-Interest Agreements*." The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends December 31, 2017.

The GASB has issued Statement No. 82, "*Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73*." The requirements of this Statement will take effect for financial statements starting with the fiscal year that ends June 30, 2017, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions will take effect for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

REQUIRED SUPPLEMENTARY INFORMATION



City of Arcata, California

Required Supplementary Information - Schedule of Funding Progress

Other Post Employment Benefits

For the year ended June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
2/1/2011	\$ -	\$ 2,483,585	\$2,483,585	0.0%	\$ 6,764,536	36.7%
2/1/2014	\$ -	\$ 3,156,235	\$3,156,235	0.0%	\$ 8,235,524	38.3%
6/1/2016	\$ -	\$ 4,902,166	\$4,902,166	0.0%	\$ 8,496,641	57.7%

City of Arcata, California

Required Supplementary Information - Schedule of Contributions

Miscellaneous Plan

Last 10 Fiscal Years*

	<u>2016</u>
Contractually required contribution (actuarially determined)	\$ 529,092
Contributions in relation to the actuarially determined contributions	<u>(529,092)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 4,761,772
Contribution as a percentage of covered-employee payroll	11.11%

Notes to Schedule

1) Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

*Due to a change in CalPERS reporting information, only 2016 was available. Additional years will be presented as they become available.

City of Arcata, California

Required Supplementary Information - Schedule of Contributions

Safety Plan

Last 10 Fiscal Years*

	<u>2016</u>
Contractually required contribution (actuarially determined)	\$ 519,850
Contributions in relation to the actuarially determined contributions	<u>(519,850)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 1,654,498
Contribution as a percentage of covered-employee payroll	31.42%

Notes to Schedule

1) Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

*Due to a change in CalPERS reporting information, only 2016 was available. Additional years will be presented as they become available.

City of Arcata, California

Required Supplementary Information - Schedule of the City's Proportionate Share of the Net Pension Liability

Miscellaneous Plan

Last 10 Fiscal Years*

	<u>2016</u>
Plan's Proportion of the Net Pension Liability/(Asset)	0.34460%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 11,971,084
Plan's Covered-Employee Payroll	\$ 4,761,772
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	251.40%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	74.83%
Plan's Proportionate Share of Aggregate Employer Contribution	\$ 1,325,580

Notes to Schedule

1) Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

*Due to a change in CalPERS reporting information, only 2016 was available. Additional years will be presented as they become available.

City of Arcata, California

Required Supplementary Information - Schedule of the City's Proportionate Share of the Net Pension Liability

Safety Plan

Last 10 Fiscal Years*

	<u>2016</u>
Plan's Proportion of the Net Pension Liability/(Asset)	0.12179%
Plan's Proportionate Share of the Net Pension Liability/(Asset)	\$ 6,307,600
Plan's Covered-Employee Payroll	\$ 1,654,498
Plan's Proportionate Share of the Net Pension Liability/(Asset) as a Percentage of its Covered-Employee Payroll	381.24%
Plan's Proportionate Share of the Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	74.66%
Plan's Proportionate Share of Aggregate Employer Contribution	\$ 642,026

Notes to Schedule

1) Covered employee payroll represents compensation earnable and pensionable compensation. Only compensation earnable and pensionable compensation that would possibly go into the determination of retirement benefits are included.

* Due to a change in CalPERS reporting information, only 2016 was available. Additional years will be presented as they become available.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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NON-MAJOR GOVERNMENTAL FUNDS

Fund Type	Description
Special Revenue	These funds account for restricted revenues (for specified purposes).
City Capital Projects Fund	This fund accounts for construction or acquisition of governmental capital assets (capital outlay).

City of Arcata, California
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2017

	Governmental Funds		Non-Major Funds Totals
	Special Revenue Funds	City Capital Projects Fund	
ASSETS			
Cash and investments	\$ 1,899,774	\$ 163,452	\$ 2,063,226
Restricted cash and investments	2,656,087	-	2,656,087
Receivables:			
Intergovernmental	1,812,952	-	1,812,952
Inventory	109,946	-	109,946
Total assets	\$ 6,478,759	\$ 163,452	\$ 6,642,211
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 1,540,402	\$ -	\$ 1,540,402
Due to other funds	499,049	-	499,049
Deposits Payable	23,825	-	23,825
Total liabilities:	2,063,276	-	2,063,276
Deferred inflows of resources:			
Unavailable revenue	-	-	-
Total deferred inflows of resources	-	-	-
Total liabilities and deferred inflows	2,063,276	-	2,063,276
Fund Balances:			
Nonspendable	109,946	-	109,946
Restricted	591,566	-	591,566
Assigned	3,851,287	163,452	4,014,739
Unassigned (deficit)	(137,316)	-	(137,316)
Total fund balances	4,415,483	163,452	4,578,935
Total liabilities, deferred inflows and fund balances	\$ 6,478,759	\$ 163,452	\$ 6,642,211

City of Arcata, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended June 30, 2017

	Governmental Funds		Non-Major Funds Totals
	Special Revenue Funds	City Capital Projects Fund	
REVENUES:			
Taxes and assessments	\$ 31,080	\$ -	\$ 31,080
Licenses and permits	23,328	-	23,328
Fines and forfeitures	96,978	-	96,978
Intergovernmental	2,532,166	-	2,532,166
Use of money and property	220,629	209	220,838
Reimbursements	-	-	-
Other revenues	501,135	-	501,135
Total revenues	3,405,316	209	3,405,525
EXPENDITURES:			
Current:			
Public safety	376,980	-	376,980
Public works	892,301	-	892,301
Community development	822,032	-	822,032
Parks and recreation	297,204	-	297,204
Capital outlay	2,188,997	-	2,188,997
Total expenditures	4,577,514	-	4,577,514
REVENUES OVER (UNDER) EXPENDITURES	(1,172,198)	209	(1,171,989)
OTHER FINANCING SOURCES (USES):			
Transfer from private purpose trust	-	-	-
Transfers in	722,640	-	722,640
Transfers out	(65,590)	-	(65,590)
Total other financing sources (uses)	657,050	-	657,050
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	(515,148)	209	(514,939)
FUND BALANCES:			
Beginning of year	4,930,631	163,243	5,093,874
End of year	\$ 4,415,483	\$ 163,452	\$ 4,578,935

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NON-MAJOR SPECIAL REVENUE FUNDS

Fund	Description
Forest Management	Accounts for funds received and expended for the City's forest management programs.
Traffic Safety	Accounts for revenue received for the City's programs associated with the maintenance of equipment and supplies for traffic law enforcement and traffic accident prevention.
Industrial Park	Accounts for revenues received for the maintenance and rehabilitation of the industrial park.
Housing Improvement Projects	Accounts for funds transferred to the City from the former Arcata Community Development Agency for housing improvement projects.
Public Improvement Program	Accounts for funds transferred to the City from the former Arcata Community Development Agency for public improvement projects.
Gas Tax Funds: 2105 2106 2107 & 2107.5	Accounts for funds received and expended for street maintenance purposes as defined in Sections 2105, 2106, 2107, and 2107.5 of the Streets and Highway Code.
Federal Grant Funds: HUD Block Grant	Accounts for activities related to housing and the related Community Development Block Grant funding.
ISTEA	Accounts for activities related to streets and the related Intermodal Surface Transportation Efficiency Act funding.
FEMA/OES	Accounts for revenues and expenditures associated with grants provided from the Federal Emergency Management Agency and Office of Emergency Services.

(continued)

NON-MAJOR SPECIAL REVENUE FUNDS, Continued

Fund	Description
COPS	Accounts for revenues and expenditures associated with community policing grants.
HOME Grants	Accounts for activities related to housing and the related Home Program funding.
In Lieu Fee Funds:	
Parkland	Accounts for revenues and expenditures associated with the parkland maintenance.
Parking	Accounts for revenues and expenditures associated with downtown parking programs.
Assessment Districts:	Accounts for funds collected for the assessment districts shown within the City limits for which the City is obligated to maintain.
Curtis Heights	
Janes Creek Meadows	
Windsong	

(concluded)

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City of Arcata, California
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2017

	Forest Management	Traffic Safety	Industrial Park
ASSETS			
Cash and investments	\$ 454,916	\$ 75,647	\$ 351,881
Restricted cash and investments	-	-	-
Receivables:			
Intergovernmental	4,947	23,293	-
Inventory	-	108,261	-
Total assets	\$ 459,863	\$ 207,201	\$ 351,881
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 7,363	\$ 8,909	\$ 42,122
Due to other funds	-	-	-
Deposits payable	-	-	23,825
Total liabilities:	7,363	8,909	65,947
Deferred inflows of resources:			
Unavailable revenue	-	-	-
Total deferred inflows of resources:	-	-	-
Total liabilities and deferred inflows	7,363	8,909	65,947
Fund Balances:			
Nonspendable	-	108,261	-
Restricted	-	90,031	-
Committed	-	-	-
Assigned	452,500	-	285,934
Unassigned (deficit)	-	-	-
Total fund balances	452,500	198,292	285,934
Total liabilities deferred inflows and fund balances	\$ 459,863	\$ 207,201	\$ 351,881

Public Improvement Program	Gas Tax Funds	Federal Grant Funds	In Lieu Fee Funds	Assessment District Funds	Totals
\$ 15,339	473,984	\$ 75,262	\$ 433,862	\$ 18,883	\$ 1,899,774
2,656,087	-	-	-	-	2,656,087
-	-	1,784,426	-	286	1,812,952
-	1,685	-	-	-	109,946
<u>\$ 2,671,426</u>	<u>\$ 475,669</u>	<u>\$ 1,859,688</u>	<u>\$ 433,862</u>	<u>\$ 19,169</u>	<u>\$ 6,478,759</u>
\$ 604	34,259	\$ 1,447,145	\$ -	\$ -	\$ 1,540,402
11,000	-	488,049	-	-	499,049
-	-	-	-	-	23,825
<u>11,604</u>	<u>34,259</u>	<u>1,935,194</u>	<u>-</u>	<u>-</u>	<u>2,063,276</u>
-	-	-	-	-	-
-	-	-	-	-	-
<u>11,604</u>	<u>34,259</u>	<u>1,935,194</u>	<u>-</u>	<u>-</u>	<u>2,063,276</u>
-	1,685	-	-	-	109,946
-	439,725	61,810	-	-	591,566
-	-	-	-	-	-
2,659,822	-	-	433,862	19,169	3,851,287
-	-	(137,316)	-	-	(137,316)
<u>2,659,822</u>	<u>441,410</u>	<u>(75,506)</u>	<u>433,862</u>	<u>19,169</u>	<u>4,415,483</u>
<u>\$ 2,671,426</u>	<u>\$ 475,669</u>	<u>\$ 1,859,688</u>	<u>\$ 433,862</u>	<u>\$ 19,169</u>	<u>\$ 6,478,759</u>

City of Arcata, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the year ended June 30, 2017

	Forest Management	Traffic Safety	Industrial Park
REVENUES:			
Taxes and assessments	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Fines and forfeitures	-	96,978	-
Intergovernmental	-	-	-
Use of money and property	519	48	213,317
Other revenues	501,135	-	-
Total revenues	<u>501,654</u>	<u>97,026</u>	<u>213,317</u>
EXPENDITURES:			
Current:			
Public safety	-	225,236	-
Public works	-	-	-
Community development	-	-	149,133
Parks and recreation	297,204	-	-
Capital outlay	108,028	-	52,522
Total expenditures	<u>405,232</u>	<u>225,236</u>	<u>201,655</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>96,422</u>	<u>(128,210)</u>	<u>11,662</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	122,194	-
Transfers out	-	-	(2,500)
Total other financing sources and uses	-	122,194	(2,500)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	96,422	(6,016)	9,162
FUND BALANCES (DEFICITS):			
Beginning of year	356,078	204,308	276,772
End of year	<u>\$ 452,500</u>	<u>\$ 198,292</u>	<u>\$ 285,934</u>

Public Improvement Program	2107 & 2107.5 Gas Tax Funds	Federal Grant Funds	In Lieu Fee Funds	Assessment District Funds	Totals
\$ -	\$ -	\$ -	\$ -	\$ 31,080	\$ 31,080
-	-	-	23,328	-	23,328
-	-	-	-	-	96,978
-	329,596	2,202,570	-	-	2,532,166
3,887	-	2,316	492	50	220,629
-	-	-	-	-	501,135
<u>3,887</u>	<u>329,596</u>	<u>2,204,886</u>	<u>23,820</u>	<u>31,130</u>	<u>3,405,316</u>
-	-	151,744	-	-	376,980
-	892,301	-	-	-	892,301
6,808	-	666,091	-	-	822,032
-	-	-	-	-	297,204
-	116,762	1,911,685	-	-	2,188,997
<u>6,808</u>	<u>1,009,063</u>	<u>2,729,520</u>	<u>-</u>	<u>-</u>	<u>4,577,514</u>
(2,921)	(679,467)	(524,634)	23,820	31,130	(1,172,198)
1,500	587,549	11,397	-	-	722,640
-	-	(33,090)	-	(30,000)	(65,590)
1,500	587,549	(21,693)	-	(30,000)	657,050
(1,421)	(91,918)	(546,327)	23,820	1,130	(515,148)
<u>2,661,243</u>	<u>533,328</u>	<u>470,821</u>	<u>410,042</u>	<u>18,039</u>	<u>4,930,631</u>
<u>\$ 2,659,822</u>	<u>\$ 441,410</u>	<u>\$ (75,506)</u>	<u>\$ 433,862</u>	<u>\$ 19,169</u>	<u>\$ 4,415,483</u>

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Forest Management Special Revenue Fund

For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ 262,000	\$ 262,000	\$ -	\$ (262,000)
Use of money and property	1,000	1,000	519	(481)
Other revenues	335,000	461,256	501,135	39,879
Total revenues	598,000	724,256	501,654	(222,602)
EXPENDITURES:				
Current:				
Parks and recreation	265,016	303,375	297,204	6,171
Capital outlay	271,000	364,718	108,028	256,690
Total expenditures	536,016	668,093	405,232	262,861
REVENUES OVER (UNDER)				
EXPENDITURES	61,984	56,163	96,422	40,259
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	61,984	56,163	96,422	40,259
FUND BALANCES (DEFICIT):				
Beginning of year	356,078	356,078	356,078	-
End of year	\$ 418,062	\$ 412,241	\$ 452,500	\$ 40,259

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Traffic Safety Special Revenue Fund

For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Fines and forfeitures	\$ 100,000	\$ 100,000	\$ 96,978	\$ (3,022)
Use of money and property	500	500	48	(452)
Total revenues	<u>100,500</u>	<u>100,500</u>	<u>97,026</u>	<u>(3,474)</u>
EXPENDITURES:				
Current:				
Public safety	232,694	\$ 232,694	225,236	7,458
Total expenditures	<u>232,694</u>	<u>232,694</u>	<u>225,236</u>	<u>7,458</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(132,194)</u>	<u>(132,194)</u>	<u>(128,210)</u>	<u>3,984</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	122,194	122,194	122,194	-
Total other financing sources (uses)	<u>122,194</u>	<u>122,194</u>	<u>122,194</u>	<u>-</u>
Net change in fund balances	(10,000)	(10,000)	(6,016)	3,984
FUND BALANCES:				
Beginning of year	204,308	204,308	204,308	-
End of year	<u>\$ 194,308</u>	<u>\$ 194,308</u>	<u>\$ 198,292</u>	<u>\$ 3,984</u>

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Industrial Park Special Revenue Fund

For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 217,000	\$ 217,000	\$ 213,317	\$ (3,683)
Other revenues	13,600	13,600	-	(13,600)
Total revenues	230,600	230,600	213,317	(17,283)
EXPENDITURES:				
Current:				
Community development	142,280	144,530	149,133	(4,603)
Capital outlay	62,000	62,000	52,522	9,478
Total expenditures	204,280	206,530	201,655	4,875
REVENUES OVER (UNDER) EXPENDITURES	26,320	24,070	11,662	(12,408)
OTHER FINANCING SOURCES (USES):				
Transfers out	1,000	1,000	2,500	1,500
Total other financing sources (uses)	1,000	1,000	2,500	1,500
Net change in fund balances	27,320	25,070	14,162	(10,908)
FUND BALANCES (DEFICIT):				
Beginning of year	276,772	276,772	276,772	-
End of year	\$ 304,092	\$ 301,842	\$ 290,934	\$ (10,908)

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Public Improvement Program Special Revenue Fund

For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 20,000	\$ 35,000	\$ 3,887	\$ (31,113)
Total revenues	20,000	35,000	3,887	(31,113)
EXPENDITURES:				
Current:				
Community development	-	26,000	6,808	19,192
Total expenditures	-	26,000	6,808	19,192
REVENUES OVER (UNDER) EXPENDITURES	20,000	9,000	(2,921)	(11,921)
OTHER FINANCING SOURCES (USES):				
Proceeds from issuance of long-term debt	-	-	-	-
Payments to refunding bond escrow agent	-	-	-	-
Transfers in	-	-	1,500	1,500
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	1,500	1,500
Net change in fund balances	20,000	9,000	(1,421)	(10,421)
FUND BALANCES (DEFICIT):				
Beginning of year	2,661,243	2,661,243	2,661,243	-
End of year	\$ 2,681,243	\$ 2,670,243	\$ 2,659,822	\$ (10,421)

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Gas Tax 2107 & 2107.5 Special Revenue Fund

For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ 898,600	\$ 882,900	\$ 329,596	\$ (553,304)
Use of money and property	2,000	2,000	-	(2,000)
Reimbursements	5,000	11,757	0	(11,757)
Total revenues	905,600	896,657	329,596	(567,061)
EXPENDITURES:				
Current:				
Public works	932,613	916,913	892,301	24,612
Capital outlay	756,000	838,488	116,762	721,726
Total expenditures	1,688,613	1,755,401	1,009,063	746,338
REVENUES OVER (UNDER)				
EXPENDITURES	(783,013)	(858,744)	(679,467)	179,277
OTHER FINANCING SOURCES (USES):				
Transfers in	768,013	(768,013)	587,549	1,355,562
Transfers out	-	-	-	-
Total other financing sources (uses)	768,013	(768,013)	587,549	1,355,562
Net change in fund balances	(15,000)	(1,626,757)	(91,918)	1,534,839
FUND BALANCES:				
Beginning of year	533,328	533,328	533,328	-
End of year	\$ 518,328	\$ (1,093,429)	\$ 441,410	\$ 1,534,839

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City of Arcata, California
Combining Balance Sheet
Federal Grant Special Revenue Funds
June 30, 2017

ASSETS	HUD Block Grant	ISTEA	FEMA/ OES	COPS
Cash and investments	\$ -	\$ -	\$ 62,521	\$ 12,741
Receivables:				
Intergovernmental	366,709	1,394,341	-	23,376
Total assets	<u>\$ 366,709</u>	<u>\$ 1,394,341</u>	<u>\$ 62,521</u>	<u>\$ 36,117</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 7,118	\$ 1,377,880	\$ 62,147	\$ -
Due to other funds	334,272	153,777	-	-
Total liabilities	<u>341,390</u>	<u>1,531,657</u>	<u>62,147</u>	<u>-</u>
Fund Balances:				
Restricted	25,319	-	374	36,117
Unassigned (deficit)	-	(137,316)	-	-
Total fund balances	<u>25,319</u>	<u>(137,316)</u>	<u>374</u>	<u>36,117</u>
Total liabilities and fund balances	<u>\$ 366,709</u>	<u>\$ 1,394,341</u>	<u>\$ 62,521</u>	<u>\$ 36,117</u>

HOME Grants	Totals
\$ -	\$ 75,262
-	1,784,426
<u>\$ -</u>	<u>\$ 1,859,688</u>

\$ -	\$ 1,447,145
-	488,049
<u>-</u>	<u>1,935,194</u>
-	61,810
<u>-</u>	<u>(137,316)</u>
-	(75,506)
<u>\$ -</u>	<u>\$ 1,859,688</u>

City of Arcata, California

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Federal Grant Special Revenue Funds

For the year ended June 30, 2017

	HUD Block Grant	ISTEA	FEMA/ OES	COPS
REVENUES:				
Intergovernmental	\$ 678,215	\$ 1,397,974	\$ -	\$ 126,381
Use of money and property	-	2,100	101	115
Total revenues	<u>678,215</u>	<u>1,400,074</u>	<u>101</u>	<u>126,496</u>
EXPENDITURES:				
Current:				
Public safety	-	-	-	151,744
Public works	-	-	-	-
Community development	666,091	-	-	-
Capital outlay	-	1,911,685	-	-
Total expenditures	<u>666,091</u>	<u>1,911,685</u>	<u>-</u>	<u>151,744</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>12,124</u>	<u>(511,611)</u>	<u>101</u>	<u>(25,248)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	(25,000)	(8,090)	-
Total other financing sources and uses	<u>-</u>	<u>(25,000)</u>	<u>(8,090)</u>	<u>-</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	<u>12,124</u>	<u>(536,611)</u>	<u>(7,989)</u>	<u>(25,248)</u>
FUND BALANCES (DEFICIT):				
Beginning of year	13,195	399,295	8,363	61,365
End of year	<u>\$ 25,319</u>	<u>\$ (137,316)</u>	<u>\$ 374</u>	<u>\$ 36,117</u>

HOME Grants	Totals
\$ -	\$ 2,202,570
-	2,316
-	2,204,886
-	151,744
-	-
-	666,091
-	1,911,685
-	2,729,520
-	(524,634)
11,397	11,397
-	(33,090)
11,397	(21,693)
11,397	(546,327)
(11,397)	470,821
\$ -	\$ (75,506)

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

HUD Block Grant - Federal Grant Special Revenue Fund

For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Intergovernmental	\$ 1,750,000	\$ 1,750,000	\$ 678,215	\$ (1,071,785)
Total revenues	<u>1,750,000</u>	<u>1,750,000</u>	<u>678,215</u>	<u>(1,071,785)</u>
EXPENDITURES:				
Current:				
Community development	1,750,000	1,750,000	666,091	1,083,909
Total expenditures	<u>1,750,000</u>	<u>1,750,000</u>	<u>666,091</u>	<u>1,083,909</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>12,124</u>	<u>12,124</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>12,124</u>	<u>12,124</u>
FUND BALANCES:				
Beginning of year	13,195	13,195	13,195	-
End of year	<u>\$ 13,195</u>	<u>\$ 13,195</u>	<u>\$ 25,319</u>	<u>\$ 12,124</u>

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

ISTEA Grant - Federal Grant Special Revenue Fund

For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ 100,000	\$ 4,200,000	\$ 1,397,974	\$ (2,802,026)
Use of money and property	3,000	3,000	2,100	(900)
Total revenues	103,000	4,203,000	1,400,074	(2,802,926)
EXPENDITURES:				
Current:				
Public works	-	557,500	-	557,500
Capital outlay	-	4,467,307	1,911,685	2,555,622
Total expenditures	-	5,024,807	1,911,685	3,113,122
REVENUES OVER (UNDER)				
EXPENDITURES	103,000	(821,807)	(511,611)	310,196
OTHER FINANCING SOURCES (USES):				
Transfers out	(25,000)	(25,000)	(25,000)	-
Total other financing sources (uses)	-	-	(25,000)	-
Net change in fund balances	103,000	(821,807)	(536,611)	310,196
FUND BALANCES:				
Beginning of year	-	-	399,295	399,295
End of year	\$ 103,000	\$ (821,807)	\$ (137,316)	\$ 709,491

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

FEMA/OES Grants - Federal Grant Special Revenue Fund

For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 101	\$ 101
Total revenues	-	-	101	101
EXPENDITURES:				
Current:				
Community development	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER)				
EXPENDITURES	-	-	101	101
OTHER FINANCING SOURCES (USES):				
Transfers out	-	-	(8,090)	(8,090)
Total other financing sources (uses)	-	-	(8,090)	(8,090)
Net change in fund balances	-	-	(7,989)	(7,989)
FUND BALANCES:				
Beginning of year	8,363	8,363	8,363	-
End of year	<u>\$ 8,363</u>	<u>\$ 8,363</u>	<u>\$ 374</u>	<u>\$ (7,989)</u>

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

COPS Grant - Federal Grant Special Revenue Fund

For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 126,381	\$ 26,381
Use of money and property	100	100	115	15
Total revenues	100,100	100,100	126,496	26,396
EXPENDITURES:				
Current:				
Public safety	100,000	100,000	151,744	(51,744)
Total expenditures	100,000	100,000	151,744	(51,744)
REVENUES OVER (UNDER)				
EXPENDITURES	100	100	(25,248)	(25,348)
Net change in fund balances	100	100	(25,248)	(25,348)
FUND BALANCES:				
Beginning of year	61,365	61,365	61,365	-
End of year	\$ 61,465	\$ 61,465	\$ 36,117	\$ (25,348)

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

HOME Grant - Federal Grant Special Revenue Fund

For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES:				
Current:				
Community development	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	-	-	-	-
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	11,397	11,397
Total other financing sources (uses)	-	-	11,397	11,397
Net change in fund balances	-	-	11,397	11,397
FUND BALANCES:				
Beginning of year	(11,397)	(11,397)	(11,397)	-
End of year	\$ (11,397)	\$ (11,397)	\$ -	\$ 11,397

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City of Arcata, California
Combining Balance Sheet
In Lieu Fee Special Revenue Funds
June 30, 2017

	Parkland In Lieu	Parking In Lieu	Totals
ASSETS			
Cash and investments	\$ 162,407	\$ 271,455	\$ 433,862
Total assets	\$ 162,407	\$ 271,455	\$ 433,862
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Total liabilities	-	-	-
Fund Balances:			
Assigned	162,407	271,455	433,862
Total fund balances	162,407	271,455	433,862
Total liabilities and fund balances	\$ 162,407	\$ 271,455	\$ 433,862

City of Arcata, California
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
In Lieu Fee Special Revenue Funds
For the year ended June 30, 2017

	Parkland In Lieu	Parking In Lieu	Totals
REVENUES:			
Licenses and permits	\$ 23,328	\$ -	\$ 23,328
Use of money and property	146	346	492
Total revenues	23,474	346	23,820
EXPENDITURES:			
Capital outlay	-	-	-
Total expenditures	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	23,474	346	23,820
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers out	-	-	-
Total other financing sources and uses	-	-	-
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	23,474	346	23,820
FUND BALANCES (DEFICIT):			
Beginning of year	138,933	271,109	410,042
End of year	\$ 162,407	\$ 271,455	\$ 433,862

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Parkland In Lieu - In Lieu Fees Special Revenue Fund

For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance w/Final
	Original	Final		Positive (Negative)
REVENUES:				
Licenses and permits	\$ 7,500	\$ 7,500	\$ 23,328	\$ 15,828
Use of money and property	1,500	1,500	146	(1,354)
Total revenues	9,000	9,000	23,474	14,474
EXPENDITURES:				
Current:				
General government	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	9,000	9,000	23,474	14,474
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	9,000	9,000	23,474	14,474
FUND BALANCES:				
Beginning of year	138,933	138,933	138,933	-
End of year	\$ 147,933	\$ 147,933	\$ 162,407	\$ 14,474

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Parking In Lieu - In Lieu Fees Special Revenue Fund

For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 1,800	\$ 1,800	\$ 346	\$ (1,454)
Total revenues	<u>1,800</u>	<u>1,800</u>	<u>346</u>	<u>(1,454)</u>
EXPENDITURES:				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>1,800</u>	<u>1,800</u>	<u>346</u>	<u>(1,454)</u>
Net change in fund balances	1,800	1,800	346	(1,454)
FUND BALANCES:				
Beginning of year	<u>271,109</u>	<u>271,109</u>	<u>271,109</u>	<u>-</u>
End of year	<u>\$ 272,909</u>	<u>\$ 272,909</u>	<u>\$ 271,455</u>	<u>\$ (1,454)</u>

City of Arcata, California
Combining Balance Sheet
Assessment District Special Revenue Funds
June 30, 2017

	Curtis Heights	Janes Creek Meadows	Windsong	Totals
ASSETS				
Cash and investments	\$ 1,178	\$ 11,959	\$ 5,746	\$ 18,883
Receivables:				
Intergovernmental	-	144	142	286
Total assets	<u>\$ 1,178</u>	<u>\$ 12,103</u>	<u>\$ 5,888</u>	<u>\$ 19,169</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Assigned	1,178	12,103	5,888	19,169
Total fund balances	<u>1,178</u>	<u>12,103</u>	<u>5,888</u>	<u>19,169</u>
Total liabilities and fund balances	<u>\$ 1,178</u>	<u>\$ 12,103</u>	<u>\$ 5,888</u>	<u>\$ 19,169</u>

City of Arcata, California

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Assessment District Special Revenue Funds

For the year ended June 30, 2017

	Curtis Heights	Janes Creek Meadows	Windsong	Totals
REVENUES:				
Taxes and assessments	\$ -	\$ 16,230	\$ 14,850	\$ 31,080
Use of money and property	2	28	20	50
Total revenues	2	16,258	14,870	31,130
EXPENDITURES:				
Current:				
Parks and recreation	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	2	16,258	14,870	31,130
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(15,000)	(15,000)	(30,000)
Total other financing sources and uses	-	(15,000)	(15,000)	(30,000)
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING (USES)	2	1,258	(130)	1,130
FUND BALANCES (DEFICIT) :				
Beginning of year	1,176	10,845	6,018	18,039
End of year	\$ 1,178	\$ 12,103	\$ 5,888	\$ 19,169

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Curtis Heights Assessment District Special Revenue Fund

For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Use of money and property	\$ 5	\$ 5	\$ 2	\$ (3)
Total revenues	<u>5</u>	<u>5</u>	<u>2</u>	<u>(3)</u>
EXPENDITURES:				
Current:				
Parks and recreation	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>5</u>	<u>5</u>	<u>2</u>	<u>(3)</u>
Net change in fund balances	5	5	2	(3)
FUND BALANCES:				
Beginning of year	1,176	1,176	1,176	-
End of year	<u>\$ 1,181</u>	<u>\$ 1,181</u>	<u>\$ 1,178</u>	<u>\$ (3)</u>

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Janes Creek Meadows Assessment District Special Revenue Fund

For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Taxes and assessments	\$ 16,000	\$ 16,000	\$ 16,230	\$ 230
Use of money and property	100	100	28	(72)
Total revenues	16,100	16,100	16,258	158
EXPENDITURES:				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	16,100	16,100	16,258	158
OTHER FINANCING SOURCES (USES):				
Transfers out	(15,000)	15,000	(15,000)	(30,000)
Total other financing sources (uses)	(15,000)	15,000	(15,000)	(30,000)
Net change in fund balances	1,100	31,100	1,258	(29,842)
FUND BALANCES (DEFICIT):				
Beginning of year	10,845	10,845	10,845	-
End of year	\$ 11,945	\$ 41,945	\$ 12,103	\$ (29,842)

City of Arcata, California

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual

Windsong Assessment District Special Revenue Fund

For the year ended June 30, 2017

	Budgeted Amounts		Actual	Variance w/Final Positive (Negative)
	Original	Final		
REVENUES:				
Taxes and assessments	\$ 16,000	\$ 16,000	\$ 14,850	\$ (1,150)
Use of money and property	100	100	20	(80)
Total revenues	16,100	16,100	14,870	(1,230)
EXPENDITURES:				
Current:				
Parks and recreation	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	16,100	16,100	14,870	(1,230)
OTHER FINANCING SOURCES (USES):				
Proceeds from issuance of long-term debt	-	-	-	-
Payments to refunding bond escrow agent	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(15,000)	(15,000)	(15,000)	-
Total other financing sources (uses)	(15,000)	(15,000)	(15,000)	-
Net change in fund balances	1,100	1,100	(130)	(1,230)
FUND BALANCES:				
Beginning of year	6,018	6,018	6,018	-
End of year	\$ 7,118	\$ 7,118	\$ 5,888	\$ (1,230)

INTERNAL SERVICE FUNDS

Fund Type	Description
Central Garage Fund	Accounts for all activities of the City's central garage operations, the costs of which are distributed among designated user departments.
Information Technology Fund	Accounts for all activities of the City's computer networks, the costs of which are distributed among user departments using equitable formulas.

City of Arcata, California
Combining Statement of Net Position
Internal Service Funds
For the year ended June 30, 2017

	Central Garage Fund	Information Technology Fund	Totals
ASSETS			
Current assets:			
Cash and investments	\$ 1,423,958	\$ 32,565	\$ 1,456,523
Inventory	12,427	-	12,427
Total current assets	1,436,385	32,565	1,468,950
Noncurrent assets:			
Capital assets, net	820,000	81,762	901,762
Total noncurrent assets	820,000	81,762	901,762
Total assets	2,256,385	114,327	2,370,712
DEFERRED OUTFLOWS OF RESOURCES			
Pension Plan	68,742	59,856	128,598
Total assets and deferred outflows of resources	2,325,127	174,183	2,499,310
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 15,661	\$ 69	\$ 15,730
Accrued liabilities	9,924	7,475	17,399
Compensated absences - current portion	2,710	1,290	4,000
Total current liabilities	28,295	8,834	37,129
Noncurrent liabilities:			
Compensated absences	8,132	3,868	12,000
Due after one year - capital lease payable	-	29,928	29,928
Net pension liability	265,715	207,020	472,735
Total liabilities	302,142	249,650	551,792
DEFERRED INFLOWS OF RESOURCES			
Pension Plan	47,514	29,089	76,603
Total deferred inflows of resources	47,514	29,089	76,603
NET POSITION			
Net investment in capital assets	820,000	81,762	901,762
Unrestricted	1,155,471	(186,318)	969,153
Total net position	1,975,471	(104,556)	1,870,915
Total liabilities, deferred inflows of resources and net position	\$ 2,325,127	\$ 174,183	\$ 2,499,310

City of Arcata, California
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the year ended June 30, 2017

	Central Garage Fund	Information Technology Fund	Totals
OPERATING REVENUES:			
Interdepartmental charges	\$ 1,185,673	\$ 246,067	\$ 1,431,740
Other	5,992	21,692	27,684
Total operating revenues	1,191,665	267,759	1,459,424
OPERATING EXPENSES:			
Salaries and benefits	218,567	153,277	371,844
Contractual services	17,765	20,227	37,992
Materials and supplies	260,943	12,737	273,680
Repairs and maintenance	33,335	16,252	49,587
Insurance	133,277	-	133,277
Allocated overhead	35,630	9,320	44,950
Depreciation	301,752	12,778	314,530
Total operating expenses	1,001,269	224,591	1,225,860
OPERATING INCOME (LOSS)	190,396	43,168	233,564
NONOPERATING REVENUES (EXPENSES):			
Interest revenue	863	-	863
Interest expense	-	(31)	(31)
Total non-operating revenues (expenses)	863	(31)	832
NET INCOME (LOSS) BEFORE TRANSFERS	191,259	43,137	234,396
Transfers in	-	-	-
Transfers out	-	-	-
Total transfers	-	-	-
Change in net position	191,259	43,137	234,396
NET POSITION (DEFICIT):			
Beginning of year	1,784,212	(147,693)	1,636,519
End of year	<u>\$ 1,975,471</u>	<u>\$ (104,556)</u>	<u>\$ 1,870,915</u>

City of Arcata, California
Combining Statement of Cash Flows
Internal Service Funds
For the year ended June 30, 2017

	Central Garage Fund	Information Technology Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from interfund services provided	\$ 1,191,665	\$ 267,759	\$ 1,459,424
Cash paid to suppliers for goods and services	(570,766)	(61,414)	(632,180)
Cash paid to employees for services	(239,612)	(173,968)	(413,580)
Net cash provided (used) by operating activities	381,287	32,377	413,664
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers received	-	-	-
Net cash provided (used) by noncapital financing activities	-	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(191,056)	(38,414)	(229,470)
Principal paid on long-term debt	-	(14,005)	(14,005)
Interest paid on long-term debt	-	(31)	(31)
Net cash (used) by capital and related financing activities	(191,056)	(52,450)	(243,506)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on investments	863	-	863
Net cash provided by investing activities	863	-	863
Net increase (decrease) in cash and cash equivalents	191,094	(20,073)	171,021
CASH AND CASH EQUIVALENTS:			
Beginning of year	1,232,864	52,638	1,285,502
End of year	<u>\$ 1,423,958</u>	<u>\$ 32,565</u>	<u>\$ 1,456,523</u>
Reconciliation of income from operations to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 190,396	\$ 43,168	\$ 233,564
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	301,752	12,778	314,530
Pension expense	(21,429)	(23,828)	(45,257)
(Increase) decrease in current assets:			
Inventory	1,153	-	1,153
Increase (decrease) in liabilities:			
Accounts payable	(90,969)	(2,878)	(93,847)
Accrued liabilities	(348)	664	316
Compensated absences	732	2,473	3,205
Net cash provided by operating activities	\$ 381,287	\$ 32,377	\$ 413,664

The accompanying notes are an integral part of these basic financial statements